# ANNUAL FINANCIAL REPORT

THE CITY OF
BALCH SPRINGS
GROWING COMMUNITY

# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

# City of Balch Springs, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2025

As Prepared by the
Finance Department

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# City of Balch Springs, Texas

Annual Financial Report
For the Fiscal Year Ended September 30, 2025
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# Financial Section

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# Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Balch Springs, Texas

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Balch Springs, (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The non-major combining financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
June 11, 2026

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## Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Balch Springs (City) for the fiscal year ended September 30, 2025. Readers of the financial statements are encouraged to consider the information included in the other sections of the Financial Statements e.g., combining statements and notes in conjunction with the MD&A.

### FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements.

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2025, by $94.2 million (net position). This was an increase of $15.2 million from the prior year.
- Governmental activities restricted net position was $10.4 million and unrestricted was $12.0 million.
- Business-type activities unrestricted net position was $15.5 million and had no restricted net position as of year-end.
- The ending unassigned fund balance for the General Fund was $13.0 million or 44.7% of total General Fund expenditures.
- The City's governmental funds reported combined ending fund balances of $43.6 million of which $12.0 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of $38.4 million of which $15.5 million is available for spending at the City's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

**Basic Financial Statements (BFS)**. The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). This report also contains other Required Supplementary Information (RSI) in addition to the BFS.

**Government-Wide Financial Statements (GWFS)**. The GWFS, shown on pages 17-19 of this report, contain the statement of net position and the statement of activities, described below:

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position using the accrual basis of accounting. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include general government, public safety, public works, and community development and recreation. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include water, sewer, and solid waste. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

**Component Units.** The GWFS include the City (primary government), and two legally separate entities (component units) for which the City is financially accountable. The component units consist of Balch Springs Industrial and Economic Development Corporation (type A sales tax) and the Balch Springs Community and Economic Development Corporation (type B sales tax). The component units provide economic development services, community services, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City's financial information.

**Fund Financial Statements**. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue or expenditures/expenses of fund category, and of the governmental and enterprise funds combined) or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in this report following the Required Supplementary Information (RSI). All funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City's fiscal year. Such information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is a major fund. The governmental FFS can be found on pages 20-23 of this report.

The City adopts a budget annually for the General Fund. In the RSI section, a budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

**Proprietary Funds.** The City maintains one proprietary fund. It is reported as an Enterprise Fund which is used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses its Utility Fund to account for Water, Wastewater, and Solid Waste services. The proprietary FFS can be found on pages 24-27 of this report.

**Fiduciary Funds**. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary FFS can be found on pages 28-29 of this report.

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 35-67 of this report.

**Required Supplementary Information**. In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 70-77 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $94.2 million (net position) at the close of the fiscal year, compared to $79.0 million (net position) at the end of the prior fiscal year. As a result of operations, total net position increased by $15.2 million during the period.

**Table 1**
**Condensed Statement of Net Position**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Current and other assets | $ 47,491,364 | $ 32,882,813 | $ 20,289,255 | $ 16,276,801 | $ 67,780,619 | $ 49,159,614 |
| Capital assets | 42,059,087 | 37,080,912 | 26,197,074 | 26,034,099 | 68,256,161 | 63,115,011 |
| Total assets | 89,550,451 | 69,963,725 | 46,486,329 | 42,310,900 | 136,036,780 | 112,274,625 |
| Deferred outflows of resources | 2,318,799 | 3,155,032 | 570,059 | 775,443 | 2,888,858 | 3,930,475 |
| Long term liabilities | 31,309,232 | 20,767,058 | 5,141,023 | 7,364,480 | 36,450,255 | 28,131,538 |
| Other liabilities | 3,469,195 | 5,738,941 | 3,310,718 | 2,770,591 | 6,779,913 | 8,509,532 |
| Total liabilities | 34,778,427 | 26,505,999 | 8,451,741 | 10,135,071 | 43,230,168 | 36,641,070 |
| Deferred inflows of resources | 970,656 | 463,263 | 159,389 | 73,245 | 1,130,045 | 536,508 |
| Net position | | | | | | |
| Net investment in capital assets | 33,456,505 | 27,929,133 | 22,870,355 | 21,835,643 | 56,326,860 | 49,764,776 |
| Restricted | 10,401,073 | 8,493,157 | - | - | 10,401,073 | 8,493,157 |
| Unrestricted (deficit) | 12,262,589 | 9,727,205 | 15,574,903 | 11,042,384 | 27,837,492 | 20,769,589 |
| **Total net position** | $ 56,120,167 | $ 46,149,495 | $ 38,445,258 | $ 32,878,027 | $ 94,565,425 | $ 79,027,522 |

The majority of the City's net position reflects its investment in capital assets, including land, buildings, infrastructure, machinery, and equipment and lease assets, less accumulated depreciation and amortization and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 11 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. To recap the major categories of net position for the City as a whole, they are restricted of $10.4 million for all activities, unrestricted of $12.0 million for governmental activities and unrestricted of $15.5 million for business-type activities.

The governmental and business-type net position increased by approximately $9.7 million and $5.5 million, respectively, and is shown in the following table:

**Table 2**
**Changes in Net Position**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** | **2025** | **2024** |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for Services | $ 1,890,026 | $ 1,073,537 | $ 18,709,327 | $ 16,836,122 | $ 20,599,353 | $ 17,909,659 |
| Operating grants and contributions | 1,342,923 | 1,869,113 | - | - | 1,342,923 | 1,869,113 |
| Capital grants and contributions | 3,710,965 | 2,424,370 | - | - | 3,710,965 | 2,424,370 |
| General Revenues | | | | | | |
| Taxes and fees | 26,644,482 | 24,982,846 | - | - | 26,644,482 | 24,982,846 |
| Other | 1,597,477 | 979,612 | 465,072 | 638,425 | 2,062,549 | 1,618,037 |
| Total revenues | 35,185,873 | 31,329,478 | 19,174,399 | 17,474,547 | 54,360,272 | 48,804,025 |
| Program Expenses | | | | | | |
| General government | 3,277,735 | 2,749,326 | - | - | 3,277,735 | 2,749,326 |
| Public safety | 14,360,689 | 14,396,193 | - | - | 14,360,689 | 14,396,193 |
| Public works | 6,547,687 | 4,170,870 | - | - | 6,547,687 | 4,170,870 |
| Community development and recreation | 1,610,369 | 2,496,580 | - | - | 1,610,369 | 2,496,580 |
| Interest and fiscal charges | 690,025 | 329,065 | - | - | 690,025 | 329,065 |
| Utility fund | - | - | 12,335,864 | 12,850,483 | 12,335,864 | 12,850,483 |
| Total expenses | 26,486,505 | 24,142,034 | 12,335,864 | 12,850,483 | 38,822,369 | 36,992,517 |
| Increase (decrease) in Net Position Before Transfers | 8,699,368 | 7,187,444 | 6,838,535 | 4,624,064 | 15,537,903 | 11,811,508 |
| Transfers | 1,271,304 | 1,160,329 | (1,271,304) | (1,160,329) | - | - |
| Change in Net Position | 9,970,672 | 8,347,773 | 5,567,231 | 3,463,735 | 15,537,903 | 11,811,508 |
| Net Position at beginning of year | 46,149,495 | 37,801,722 | 32,878,027 | 29,414,292 | 79,027,522 | 67,216,014 |
| **Net Position, End of Year** | $ 56,120,167 | $ 46,149,495 | $ 38,445,258 | $ 32,878,027 | $ 94,565,425 | $ 79,027,522 |

**Changes in Net Position**. Details of the above summarized information can be found on page 18 of this report.

**Governmental Activities**, The City's governmental activities experienced an increase in net position of approximately $9.7 million, compared to an increase of approximately $8.3 million during the prior fiscal year. Key elements of the operational increase include:

Revenues excluding transfers increased by $3.9 million. The major changes in revenue from the prior year are as follows:

- Capital grants and Contributions increased by $1.2 million over the prior year due to the City receiving additional grant funding during 2025.
- Taxes and Fees increased by $1.7 million due to increased property and sales tax collections from increased property valuations.

**Business-Type Activities**. Revenue from the City's business-type activities increased by $1.7 million. Total revenue increased from $17.5 million in the prior year to $19.2 million in the current year. Key elements are as follows:

- Water sales increased from $6.5 million to $7.9 million resulting from water rates increasing in each tier, as well as billed water consumption increasing.
- Wastewater sales increased, increasing from $5.5 million to $6.2 million as wastewater rates increased over the prior year.
- Solid waste sales decreased from $4.8 million to $4.6 million resulting from decreased trash service rolloff revenue.
- Expenses of the City's business-type activities decreased by $0.6 million over the prior year due to decreased personnel costs associated with open positions.

**Financial Analysis of the City's Funds**

**Governmental Funds**. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The Governmental Accounting Standards Board has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City has five types of fund balances: non spendable, restricted, committed, assigned and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of $43.6 million, compared to $27.5 million at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. When fiscal year 2025 ended the General Fund had $13.0 million unassigned fund balance, compared to $9.9 million unassigned fund balance in fiscal year 2024. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 44.7% of total General Fund expenditures compared to 43.5% of total General Fund expenditures in the prior year.

**Proprietary Funds**. The City's proprietary fund statements provide essentially the same type of information found in the government-wide financial statements but in more detail. Net position of the Utility Fund increased by $5.5 million; from $32.9 million to $38.4 million in the current fiscal year. This is due to the activity noted above in the Business-Type Activities section.

**General Fund Budgetary Highlights**

For fiscal year 2025, General Fund actual revenues came in above budget by $703 thousand. Intergovernmental revenue fell below budget by $1.0 million, while taxes and fees exceeded budget by $480 thousand due to property valuation exceeding expectations.

For fiscal year 2025, the City Council adopted a General Fund operating budget that included expenditures of $33.1 million.

For fiscal year 2025, General Fund actual expenditures came in under budget by $3.1 million resulting from decreases in personnel expenditures due to vacancies mainly in Public Safety and Public Works departments.

The budget is adopted on a basis consistent with General Accepted Accounting Principles (GAAP).

**Capital and Lease Assets and Debt Administration**

**Capital and Lease Assets.** The City's investment in capital and lease assets, net of accumulated depreciation and amortization, for its governmental and business-type activities at September 30, 2025, totaled $68.3 million, a $5.1 million increase over the prior fiscal year's balance of $63.1 million. The investment in capital and lease assets includes land, buildings, improvements, equipment, construction in progress, infrastructure, vehicles, and subscription-based IT arrangements (SBITAs).

**Table 3**
**Capital Assets at Year-end**
**(net of accumulated depreciation)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | $ 1,428,066 | $ 1,428,066 | $ 792,615 | $ 792,615 | $ 2,220,681 | $ 2,220,681 |
| Building | 8,119,425 | 8,119,425 | 2,522,980 | 2,522,980 | 10,642,405 | 10,642,405 |
| Improvements | 20,395,251 | 19,675,791 | - | - | 20,395,251 | 19,675,791 |
| Vehicles | 7,373,119 | 4,371,300 | 1,967,587 | 1,967,587 | 9,340,706 | 6,338,887 |
| Equipment | 4,700,822 | 4,550,260 | 6,832,049 | 6,506,218 | 11,532,871 | 11,056,478 |
| Construction in progress | 7,284,306 | 3,779,388 | 67,500 | - | 7,351,806 | 3,779,388 |
| Streets and bridges | 12,809,378 | 12,639,878 | - | - | 12,809,378 | 12,639,878 |
| System improvements | - | - | 38,110,376 | 37,005,623 | 38,110,376 | 37,005,623 |
| Lease vehicles | 1,920,026 | 1,610,263 | - | - | 1,920,026 | 1,610,263 |
| SBITA assets | 162,281 | 162,281 | - | - | 162,281 | 162,281 |
| Accumulated depreciation and amortization | (22,133,587) | (19,255,740) | (24,096,033) | (22,760,924) | (46,229,620) | (42,016,664) |
| **Total** | $ 42,059,087 | $ 37,080,912 | $ 26,197,074 | $ 26,034,099 | $ 68,256,161 | $ 63,115,011 |

Remaining construction project costs as of September 30, 2025, include the following items:

- Multiple Highway Safety Improvement projects $600,000 budgeted:
    - Lake June Traffic Signal spent $10,000
- Hickory Tree Road reconstruction spent $584,085, out of a budgeted $12.4 million.
- Safe Routes to School spent $796,000, out of a budgeted $1.4 million.
- 2024 Street Paving Improvements remaining $234,780, out of a budgeted $1,000,000. $500,000 is reimbursable.

Additional information about the City's capital and lease assets can be found in Note 7.

**Long-term Debt**. A summary of the City's total outstanding debt follows:

**Table 4**
**Outstanding Debt**
**Outstanding Debt and Liabilities**

| | Governmental activities | | Business-type activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Gross bonded debt | | | | | | |
| General obligation bonds | $ 1,030,000 | $ 1,520,000 | $ - | $ - | $ 1,030,000 | $ 1,520,000 |
| Certificates of obligation | 17,100,000 | 4,030,000 | - | - | 17,100,000 | 4,030,000 |
| Revenue bonds | - | - | 3,195,000 | 3,740,000 | 3,195,000 | 3,740,000 |
| Lease liabilities | 739,792 | 791,326 | - | - | 739,792 | 791,326 |
| SBITA liabilities | - | 56,239 | - | - | - | 56,239.00 |
| Financed purchases | 2,230,950 | 2,613,643 | 906,435 | - | 3,137,385 | 2,613,643 |
| **Total** | $ 21,100,742 | $ 9,011,208 | $ 4,101,435 | $ 3,740,000 | $ 25,202,177 | $ 12,751,208 |

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to $2.50 per $100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of $1.50 of the $2.50 maximum tax rate for general obligation bonds debt service. The FY2025 interest and sinking fund tax rate per $100 of assessed valuation was $0.031214, which is significantly below the maximum allowable tax rate.

As of September 30, 2025, the City's total outstanding debt has increased by $12.4 million, or 97% from the prior fiscal year. The main reason for the increase in outstanding debt is attributed to the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2025.

The bond rating from Standard and Poor's is A+ on both obligations.

Additional information about the City's long-term debt can be found in Note 8.

**Economic Factors and the Next Fiscal Year's Budget and Rates**

The property tax rate for Fiscal Year 2026 is 0.794629 per $100 of assessed value which remained the same from fiscal year 2025.

Per the Bureau of Labor Statistics, the Dallas/Fort Worth/Arlington area April unemployment rate increased to 4.3% from 3.7% the year before. Prices, as measured by the Consumer Price Index for all Urban Consumer (CPI-U), increased to 0.1% for the two months ending in March 2026 and up 0.6% over the year. Despite increased prices, fiscal year 2025 sales tax activity remained very strong through the year, however reflecting a year-to-date decrease over the prior year of 1.84% through September 2025 receipts.

Property tax values continue to increase as the region continues to show growth. Property tax receipts have already exceeded prior year by $1.26 million as of May 2026. Supply of homes on market will begin to increase as the City has 3 developers building homes.

Despite economic challenges, the city continues to grow, and budget continues to be tremendously positive. Economic Development teams relentless efforts of engaging with developers and thinking outside the box has generated tremendous growth. In addition, Grants Administration's continued efforts to capitalize on external funding opportunities has enabled the City to pursue avenues that may not otherwise, be feasible.

The City also continues to implement long and short-term strategies to maintain revenue high and expenditures low. Through internal efficiency study, the City is planning personnel re-structure to ensure efficient use of all resources throughout all departments. We believe an early financial response will mitigate extreme actions later. We will continue to monitor revenues and cash flows on a month-to-month basis and make changes to operations, as necessary. When necessary, spending or hiring freeze will be implemented to slow the flow of money out the door and keep budget balanced.

We look forward to another challenging yet promising year.

**Requests for Information**

The financial report is designed to provide a general overview of the City of Balch Spring's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Director of Finance, City of Balch Springs, 13503 Alexander Road, Balch Springs, Texas 75181-3401 or by email at financemanager@cityofbalchsprings.com.

# Basic Financial Statements

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# City of Balch Springs, Texas
Statement of Net Position
September 30, 2025

| | Primary Government | | | Component Units |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | |
| **ASSETS** | | | | |
| Pooled cash and cash equivalents | $ 43,587,111 | $ 14,803,721 | $ 58,390,832 | $ 7,881,640 |
| Receivables, net of allowance | | | | |
| Ad valorem taxes, net | 990,137 | - | 990,137 | - |
| Sales taxes | 1,498,359 | - | 1,498,359 | 499,454 |
| Fines, net | 686,009 | - | 686,009 | - |
| Accounts, net | - | 3,468,242 | 3,468,242 | - |
| Leases | 268,839 | - | 268,839 | - |
| Other | 363,768 | - | 363,768 | - |
| Due from other governments | 9,638 | - | 9,638 | - |
| Prepaid expenses and other assets | 87,503 | - | 87,503 | - |
| Inventory | - | 261,658 | 261,658 | - |
| Restricted cash and cash equivalents | - | 1,755,634 | 1,755,634 | 175,496 |
| Capital and lease assets, net of accumulated depreciation / amortization | | | | |
| Non-depreciable | 8,712,372 | 860,115 | 9,572,487 | 1,109,396 |
| Depreciable | 33,346,715 | 25,336,959 | 58,683,674 | - |
| **TOTAL ASSETS** | 89,550,451 | 46,486,329 | 136,036,780 | 9,665,986 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows of resources - pensions | 2,272,003 | 511,200 | 2,783,203 | 56,800 |
| Deferred outflows of resources - OPEB | 46,796 | 10,529 | 57,325 | 1,170 |
| Deferred loss on debt refunding | - | 48,330 | 48,330 | 16,143 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 2,318,799 | 570,059 | 2,888,858 | 74,113 |
| **LIABILITIES** | | | | |
| Accounts payable | 795,518 | 1,439,214 | 2,234,732 | 91,524 |
| Accrued liabilities | 325,228 | 136,755 | 461,983 | 4,370 |
| Accrued interest payable | 82,197 | 18,326 | 100,523 | 14,154 |
| Customer meter deposits | - | 855,230 | 855,230 | - |
| Due to other governments | 427 | - | 427 | - |
| Unearned revenue | 614,303 | - | 614,303 | - |
| Long-term liabilities | | | | |
| Due within one year | 1,651,522 | 861,193 | 2,512,715 | 302,590 |
| Due in more than one year | 23,537,702 | 3,392,429 | 26,930,131 | 3,546,215 |
| Net pension liability | 7,423,570 | 1,670,303 | 9,093,873 | 185,590 |
| Total OPEB liability | 347,960 | 78,291 | 426,251 | 8,700 |
| **TOTAL LIABILITIES** | 34,778,427 | 8,451,741 | 43,230,168 | 4,153,143 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows of resources - pensions | 584,466 | 131,505 | 715,971 | 14,612 |
| Deferred inflows of resources - OPEB | 123,928 | 27,884 | 151,812 | 3,098 |
| Lease related | 262,262 | - | 262,262 | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 970,656 | 159,389 | 1,130,045 | 17,710 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 33,456,505 | 22,870,355 | 56,326,860 | (245,817) |
| Restricted for | | | | |
| Court security | 111,126 | - | 111,126 | - |
| Debt service | 817,001 | - | 817,001 | - |
| Law enforcement | 681,470 | - | 681,470 | - |
| Street maintenance | 4,898,623 | - | 4,898,623 | - |
| Capital projects | 12,980 | - | 12,980 | - |
| Public safety | 255,991 | - | 255,991 | - |
| Promotion of tourism and hotel industry | 1,050,275 | - | 1,050,275 | - |
| Economic development | 2,573,607 | - | 2,573,607 | 5,815,063 |
| Unrestricted | 12,262,589 | 15,574,903 | 27,837,492 | - |
| **TOTAL NET POSITION** | $ 56,120,167 | $ 38,445,258 | $ 94,565,425 | $ 5,569,246 |

The Notes to the Basic Financial Statements are an integral part of this statement.

## City of Balch Springs, Texas

Statement of Activities

For the Fiscal Year Ended September 30, 2025

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary government:** | | | | |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| General government | $ 3,277,735 | $ 1,022,078 | $ 886,976 | $ - |
| Public safety | 14,360,689 | 867,948 | 55,947 | - |
| Public works | 6,547,687 | - | - | 1,304,966 |
| Community development and recreation | 1,610,369 | - | 400,000 | 2,405,999 |
| Interest on long-term debt | 690,025 | - | - | - |
| Total governmental activities | 26,486,505 | 1,890,026 | 1,342,923 | 3,710,965 |
| Business-type activities: | | | | |
| Utility fund | 12,335,864 | 18,709,327 | - | - |
| Total business-type activities | 12,335,864 | 18,709,327 | - | - |
| Total primary government | $ 38,822,369 | $ 20,599,353 | $ 1,342,923 | $ 3,710,965 |
| **Component units:** | | | | |
| Balch Springs Industrial and Economic Development Corporation | $ 2,072,100 | $ - | $ - | $ - |
| Balch Springs Community and Economic Development Corporation | 1,915,009 | - | - | - |
| Total component units | $ 3,987,109 | $ - | $ - | $ - |
| General revenues: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Franchise taxes | | | | |
| Other local taxes | | | | |
| Interest on investments | | | | |
| Miscellaneous | | | | |
| Transfers in (out) | | | | |
| **Total general revenues and transfers** | | | | |
| Change in net position | | | | |
| Net position at beginning of year | | | | |
| **Net position, end of year** | | | | |

The Notes to the Basic Financial Statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (1,368,681) | $ - | $ (1,368,681) | $ - |
| (13,436,794) | - | (13,436,794) | - |
| (5,242,721) | - | (5,242,721) | - |
| 1,195,630 | - | 1,195,630 | - |
| (690,025) | - | (690,025) | - |
| (19,542,591) | - | (19,542,591) | - |
| - | 6,373,463 | 6,373,463 | - |
| - | 6,373,463 | 6,373,463 | - |
| $ (19,542,591) | $ 6,373,463 | $ (13,169,128) | $ - |
| $ - | $ - | $ - | $ (2,072,100) |
| - | - | - | (1,915,009) |
| $ - | $ - | $ - | $ (3,987,109) |
| $ 16,365,975 | $ - | $ 16,365,975 | $ - |
| 8,728,310 | - | 8,728,310 | 2,909,436 |
| 1,134,145 | - | 1,134,145 | - |
| 416,052 | - | 416,052 | - |
| 996,811 | 617,421 | 1,614,232 | 40,401 |
| 600,666 | (152,349) | 448,317 | - |
| 1,271,304 | (1,271,304) | - | - |
| 29,513,263 | (806,232) | 28,707,031 | 2,949,837 |
| 9,970,672 | 5,567,231 | 15,537,903 | (1,037,272) |
| 46,149,495 | 32,878,027 | 79,027,522 | 6,606,518 |
| $ 56,120,167 | $ 38,445,258 | $ 94,565,425 | $ 5,569,246 |

# City of Balch Springs, Texas
Balance Sheet
Governmental Funds
September 30, 2025

| | General Fund | Capital Projects Fund | Grant Fund | Street Maintenance Tax | Non-major Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Pooled cash and cash equivalents | $ 12,322,545 | $20,821,145 | $ - | $ 4,658,153 | $ 5,785,268 | $ 43,587,111 |
| Receivables, net of allowance | | | | | | |
| Property taxes | 932,530 | - | - | - | 57,607 | 990,137 |
| Sales taxes | 1,248,633 | - | - | 249,726 | - | 1,498,359 |
| Fines | 686,009 | - | - | - | - | 686,009 |
| Leases | 268,839 | - | - | - | - | 268,839 |
| Other | 78,251 | - | 273,402 | - | 12,115 | 363,768 |
| Due from other funds | 1,090,733 | - | - | - | - | 1,090,733 |
| Due from other governments | 9,638 | - | - | - | - | 9,638 |
| Prepaid items | 87,503 | - | - | - | - | 87,503 |
| Total assets | $ 16,724,681 | $20,821,145 | $ 273,402 | $ 4,907,879 | $ 5,854,990 | $ 48,582,097 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | | |
| **LIABILITIES** | | | | | | |
| Accounts and contracts payable | $ 642,316 | $ - | $ 123,419 | $ 9,256 | $ 20,527 | $ 795,518 |
| Accrued liabilities | 312,984 | - | 961 | - | 11,283 | 325,228 |
| Due to other funds | - | - | 1,090,733 | - | - | 1,090,733 |
| Due to other governments | 427 | - | - | - | - | 427 |
| Unearned revenue | 612,486 | - | 1,817 | - | - | 614,303 |
| Total liabilities | 1,568,213 | - | 1,216,930 | 9,256 | 31,810 | 2,826,209 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unavailable revenues - property taxes | 952,643 | - | - | - | 39,370 | 992,013 |
| Unavailable revenues - court fines | 568,445 | - | - | - | - | 568,445 |
| Lease related | 262,262 | - | - | - | - | 262,262 |
| Other | - | - | - | - | - | - |
| Total deferred inflows of resources | 1,783,350 | - | - | - | 39,370 | 1,822,720 |
| **FUND BALANCES** | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 87,503 | - | - | - | - | 87,503 |
| Restricted: | | | | | | |
| Court security | - | - | - | - | 111,126 | 111,126 |
| Debt service | - | - | - | - | 859,828 | 859,828 |
| Law enforcement | - | - | - | - | 681,470 | 681,470 |
| Street maintenance | - | - | - | 4,898,623 | - | 4,898,623 |
| Capital projects | - | 13,175,000 | - | - | 12,980 | 13,187,980 |
| Public safety | - | - | - | - | 255,991 | 255,991 |
| Promotion of tourism and hotel industry | - | - | - | - | 1,050,275 | 1,050,275 |
| Economic development | - | - | - | - | 2,573,607 | 2,573,607 |
| Committed: | | | | | | |
| Emergency management reserve | - | - | - | - | 243,282 | 243,282 |
| Assigned: | | | | | | |
| Capital projects | | 7,646,145 | - | - | - | 7,646,145 |
| Unassigned | 13,285,615 | - | (943,528) | - | (4,749) | 12,337,338 |
| Total fund balances | 13,373,118 | 20,821,145 | (943,528) | 4,898,623 | 5,783,810 | 43,933,168 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 16,724,681 | $20,821,145 | $ 273,402 | $ 4,907,879 | $ 5,854,990 | $ 48,582,097 |

The Notes to the Basic Financial Statements are an integral part of this statement.

## City of Balch Springs, Texas

Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2025

| | | |
|---|---|---|
| Total fund balances - governmental fund | | $ 43,933,168 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital, lease and SBITA assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital, lease, and SBITA assets are reported in the government-wide financial statements, net of accumulated depreciation/amortization. | | 42,059,087 |
| Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet | | (82,197) |
| Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements. | | 1,560,458 |
| Deferred outflows of resources, $2,318,799, and deferred inflows of resources ($708,394) related to the City's net pension and OPEB liabilities, combined, result in an increase in net position in the government-wide financial statements. This is the net amount of the deferred outflows and inflows. | | 1,610,405 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of: | | |
| General obligation bonds | $ (1,030,000) | |
| Certificates of obligation | (17,100,000) | |
| Premiums on bond debt | (676,840) | |
| Compensated absences | (3,411,633) | |
| Financed purchases | (2,230,959) | |
| Lease liabilities | (739,792) | |
| Total OPEB liability | (347,960) | |
| Net pension liability | (7,423,570) | (32,960,754) |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 56,120,167 |

The Notes to the Basic Financial Statements are an integral part of this statement.

# City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2025

| | General Fund | Capital Projects Fund | Grant Fund | Street Maintenance Tax | Non-major Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Taxes and fees | $ 23,729,579 | $ - | $ - | $ 1,454,718 | $ 1,355,493 | $ 26,539,790 |
| Licenses and permits | 891,504 | - | - | - | - | 891,504 |
| Intergovernmental | 2,806,947 | - | 2,033,377 | 54,999 | 158,565 | 5,053,888 |
| Charges for services | 130,574 | - | - | - | - | 130,574 |
| Fines and forfeitures | 776,139 | - | - | - | 35,799 | 811,938 |
| Interest | 365,958 | 350,394 | (32,313) | 176,458 | 136,314 | 996,811 |
| Miscellaneous revenues | 321,332 | - | - | - | 153,488 | 474,820 |
| Total revenues | 29,022,033 | 350,394 | 2,001,064 | 1,686,175 | 1,839,659 | 34,899,325 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| General government | 2,584,657 | - | - | - | 100 | 2,584,757 |
| Public safety | 14,355,499 | - | 100,416 | - | 150,019 | 14,605,934 |
| Public works | 5,919,876 | - | 82,492 | 80,564 | - | 6,082,932 |
| Community development and recreation | 1,149,258 | - | 11,328 | - | 71,154 | 1,231,740 |
| Capital outlay | 4,748,789 | - | 1,996,502 | 608,912 | - | 7,354,203 |
| Debt service: | | | | | | |
| Principal retirement | 784,171 | - | - | - | 595,000 | 1,379,171 |
| Interest and fiscal charges | 165,082 | 390,019 | - | - | 168,775 | 723,876 |
| Total expenditures | 29,707,332 | 390,019 | 2,190,738 | 689,476 | 985,048 | 33,962,613 |
| Excess (deficiency) of revenues over (under) expenditures | (685,299) | (39,625) | (189,674) | 996,699 | 854,611 | 936,712 |
| **Other financing sources (uses):** | | | | | | |
| Transfers in | 1,271,304 | - | - | - | 84,722 | 1,356,026 |
| Transfers out | (34,707) | - | - | - | (50,015) | (84,722) |
| Insurance recoveries | 50,004 | - | - | 13,500 | - | 63,504 |
| Sale of equipment | - | - | - | - | 62,342 | 62,342 |
| Proceeds from issuance of debt | - | 13,175,000 | - | - | - | 13,175,000 |
| Premium on long-term debt | - | 600,249 | - | - | - | 600,249 |
| Leases (as lessee) | 309,763 | - | - | - | - | 309,763 |
| Total other financing sources (uses) | 1,596,364 | 13,775,249 | - | 13,500 | 97,049 | 15,482,162 |
| Net change in fund balances | 911,065 | 13,735,624 | (189,674) | 1,010,199 | 951,660 | 16,418,874 |
| Fund balance, beginning of year | 12,462,053 | 7,085,521 | (753,854) | 3,888,424 | 4,832,150 | 27,514,294 |
| **Fund balance, end of year** | $ 13,373,118 | $ 20,821,145 | $ (943,528) | $ 4,898,623 | $ 5,783,810 | $ 43,933,168 |

The Notes to the Basic Financial Statements are an integral part of this statement.

## City of Balch Springs, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities
For the Fiscal Year Ended September 30, 2025

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 16,418,874 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay in the current period. | | 7,856,022 |
| Depreciation/amortization expense on capital and lease assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in the governmental funds. | | (2,877,847) |
| Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net position. Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows: | | |
| Issuance of certificates of obligation bonds | $ (13,175,000) | |
| Premium on issuance of debt | (600,249) | |
| Leases (as lessee) | (309,763) | |
| General and certificates of obligation bonds | 595,000 | |
| Financed purchases | 382,981 | |
| Lease liability | 344,951 | |
| SBITA liability | 56,239 | |
| Amortization of premiums on bonds issued | 63,980 | |
| Interest expense on leases and SBITAs | 16,346 | (12,625,515) |
| Implementation of GASB 68 and 75 requires certain expenditures to be de-expended and recorded as deferred. The following is the net effect of current year pension and OPEB expense, amortization of prior deferred pension and OPEB inflows and outflows, and contributions made after the measurement date. | | (301,070) |
| Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | 1,341,278 |
| Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | (46,475) |
| Long-term liabilities, including claims and judgments are not due and payable in the current period and therefore are not reported in the governmental funds. | | 44,703 |
| Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these balances for the year. | | 160,702 |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 9,970,672 |

The Notes to the Basic Financial Statements are an integral part of this statement.

**City of Balch Springs, Texas**
Statement of Net Position
Proprietary Funds
September 30, 2025

| | Utility Fund |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Pooled cash and cash equivalents | $ 14,803,721 |
| Receivables (net of allowance for uncollectibles): | |
| Accounts | 3,468,242 |
| Inventory | 261,658 |
| Total current assets | 18,533,621 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 1,755,634 |
| Capital assets: | |
| Land and right of way easements | 792,615 |
| Construction in progress | 67,500 |
| Buildings | 2,522,980 |
| Machinery, equipment and vehicles | 8,799,636 |
| Water and sewer distribution systems | 38,110,376 |
| Less: accumulated depreciation | (24,096,033) |
| Total noncurrent assets | 27,952,708 |
| Total assets | 46,486,329 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred loss on debt refunding | 48,330 |
| Deferred outflows - pensions | 511,200 |
| Deferred outflows - OPEB | 10,529 |
| Total deferred outflows of resources | 570,059 |
| **Total assets and deferred outflows of resources** | $ 47,056,388 |

The Notes to the Basic Financial Statements are an integral part of this statement.

| | |
|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | |
| Current liabilities: | |
| Accounts payable | $ 1,439,214 |
| Accrued wages | 25,911 |
| Accrued expenses | 110,844 |
| Compensated absences - current portion | 8,147 |
| Payable from restricted resources: | |
| Bonds payable | 560,000 |
| Financed purchases | 293,046 |
| Accrued interest payable | 18,326 |
| Customer meter deposits | 855,230 |
| Total current liabilities | 3,310,718 |
| Non-current liabilities: | |
| Bonds payable | 2,705,723 |
| Financed purchases | 613,389 |
| Net pension liability | 1,670,303 |
| Net OPEB liability | 78,291 |
| Compensated absences | 73,317 |
| Total noncurrent liabilities | 5,141,023 |
| Total liabilities | 8,451,741 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows - pensions | 131,505 |
| Deferred inflows - OPEB | 27,884 |
| Total deferred inflows of resources | 159,389 |
| **Net position:** | |
| Net investment in capital assets | 22,870,355 |
| Unrestricted | 15,574,903 |
| Total net position | 38,445,258 |
| **Total liabilities, deferred inflows of resources and net position** | $ 47,056,388 |

## City of Balch Springs, Texas

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended September 30, 2025

| | Utility Fund |
|---|---|
| **Operating revenues:** | |
| Charges for services | $ 18,709,327 |
| Miscellaneous | (170,987) |
| Total operating revenues | 18,538,340 |
| **Operating expenses:** | |
| Personnel services | 351,639 |
| Professional services | 340,576 |
| Materials and supplies | 111,017 |
| Utilities | 140,114 |
| Repairs and maintenance | 825,611 |
| Minor equipment and rental | 24,600 |
| Benefits provided | 629,848 |
| Insurance | 98,351 |
| Purchase of water | 2,110,929 |
| Sewage | 2,012,965 |
| Solid waste | 3,930,463 |
| Other services and charges | 316,380 |
| Depreciation | 1,335,109 |
| Total operating expenses | 12,227,602 |
| Operating income | 6,310,738 |
| **Non-operating revenues (expenses):** | |
| Interest income | 617,421 |
| Interest and fiscal charges | (108,262) |
| Insurance proceeds | 18,638 |
| Total non-operating revenue (expenses) | 527,797 |
| Income before transfers | 6,838,535 |
| Transfers out | (1,271,304) |
| Change in net position | 5,567,231 |
| Net position at beginning of year | 32,878,027 |
| **Net position, end of year** | $ 38,445,258 |

The Notes to the Basic Financial Statements are an integral part of this statement.

# City of Balch Springs, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

| | Utility Fund |
|---|---|
| **Cash flow from operating activities:** | |
| Cash received from customers | $ 17,556,762 |
| Cash paid to employees for services | (1,549,055) |
| Cash paid for goods and services | (9,815,285) |
| Net cash provided by operating activities | 6,192,422 |
| **Cash flow from noncapital financing activities:** | |
| Transfers to other funds | (1,271,304) |
| Net cash used in noncapital financing activities | (1,271,304) |
| **Cash flow from capital and related financing activities:** | |
| Principal paid on revenue bond maturities and financed purchases | (829,308) |
| Interest paid | (121,537) |
| Acquisition of capital assets | (1,479,446) |
| Net cash used in capital financing activities | (2,430,291) |
| **Cash flow from investing activities:** | |
| Interest income | 617,421 |
| Net cash provided by investing activities | 617,421 |
| Net increase in cash and cash equivalents | 3,108,248 |
| Cash and cash equivalents, beginning of year (including $1,679,770 reported in restricted accounts) | 13,451,107 |
| Cash and cash equivalents, end of the year (including $1,755,634 reported in restricted accounts) | $ 16,559,355 |
| **Reconciliation of operating income to net cash provided by operating activities:** | |
| Operating income | $ 6,310,738 |
| Adjustments to reconcile operating income to Net cash provided by operating activities: | |
| Depreciation | 1,335,109 |
| (Increases) decreases in assets and deferred outflows: | |
| Accounts receivable | (1,034,238) |
| Inventories | 121,207 |
| Prepaid expenses | 8,825 |
| Deferred outflows of resources | 188,153 |
| Increases (decreases) in liabilities and deferred inflows: | |
| Accounts payable and accrued liabilities | 595,537 |
| Compensated absences | (1,265,157) |
| Customer meter deposits | 52,660 |
| Net pension liability | (203,546) |
| Total OPEB liability | (3,010) |
| Deferred inflows of resources | 86,144 |
| **Net cash provided by operating activities** | $ 6,192,422 |

The Notes to the Basic Financial Statements are an integral part of this statement.

**City of Balch Springs, Texas**
Statement of Fiduciary Net Position
September 30, 2025

| | PID Custodial Fund |
|---|---|
| **ASSETS** | |
| Investments: | |
| Money market | $ 528,330 |
| Total investments | 528,330 |
| Total assets | 528,330 |
| **NET POSITION** | |
| Net position restricted for custodial funds | 528,330 |
| **TOTAL NET POSITION** | $ 528,330 |

The Notes to the Basic Financial Statements are an integral part of this statement.

## City of Balch Springs, Texas

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended September 30, 2025

| | PID Custodial Fund |
|---|---|
| **ADDITIONS** | |
| Contributions | |
| Private contributions | $ 6,677,844 |
| Interest income | 31,519 |
| Total additions | 6,709,363 |
| **DEDUCTIONS** | |
| Project expenses | 6,181,033 |
| Total deductions | 6,181,033 |
| Change in net position | 528,330 |
| Net position, beginning of year | - |
| **TOTAL NET POSITION** | $ 528,330 |

The Notes to the Basic Financial Statements are an integral part of this statement.

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# City of Balch Springs, Texas
Statement of Net Position
Component Units
September 30, 2025

| | Balch Springs Industrial and Economic Development Corporation | Balch Springs Community and Economic Development Corporation | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Pooled cash and cash equivalents | $ 4,545,227 | $ 3,336,413 | $ 7,881,640 |
| Receivables, net of allowance | | | |
| Sales tax | 249,727 | 249,727 | 499,454 |
| Total current assets | 4,794,954 | 3,586,140 | 8,381,094 |
| Noncurrent assets | | | |
| Capital not being depreciated | | | |
| Land | 1,109,396 | - | 1,109,396 |
| Restricted cash and cash equivalents | - | 175,496 | 175,496 |
| Total noncurrent assets | 1,109,396 | 175,496 | 1,284,892 |
| **TOTAL ASSETS** | 5,904,350 | 3,761,636 | 9,665,986 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows of resources - pensions | 28,400 | 28,400 | 56,800 |
| Deferred outflows of resources - OPEB | 585 | 585 | 1,170 |
| Deferred loss on debt refunding | 16,143 | - | 16,143 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 45,128 | 28,985 | 74,113 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable | 50,964 | 40,560 | 91,524 |
| Accrued liabilities | 2,185 | 2,185 | 4,370 |
| Accrued interest payable | 3,779 | 10,375 | 14,154 |
| Current portion of compensated absences | 3,795 | 3,795 | 7,590 |
| Current portion of bonds payable | 205,000 | 90,000 | 295,000 |
| Total current liabilities | 265,723 | 146,915 | 412,638 |
| Noncurrent liabilities | | | |
| Compensated absences | 34,155 | 34,155 | 68,310 |
| Bonds payable, including premium | 1,319,922 | 2,157,983 | 3,477,905 |
| Net pension liability | 92,795 | 92,795 | 185,590 |
| Total OPEB liability | 4,350 | 4,350 | 8,700 |
| Total noncurrent liabilities | 1,451,222 | 2,289,283 | 3,740,505 |
| **TOTAL LIABILITIES** | 1,716,945 | 2,436,198 | 4,153,143 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows of resources - pensions | 7,306 | 7,306 | 14,612 |
| Deferred inflows of resources - OPEB | 1,549 | 1,549 | 3,098 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 8,855 | 8,855 | 17,710 |
| **NET POSITION** | | | |
| Net investment in capital assets | (245,817) | - | (245,817) |
| Restricted for: | | | |
| Economic development | 4,469,495 | 1,345,568 | 5,815,063 |
| **TOTAL NET POSITION** | $ 4,223,678 | $ 1,345,568 | $ 5,569,246 |

The Notes to the Basic Financial Statements are an integral part of this statement.

**City of Balch Springs, Texas**
Statement of Activities
Component Units
For the Year Ended September 30, 2025

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Component units:** | | | | |
| Balch Springs Industrial and Economic Development Corporation | $ 2,072,100 | $ - | $ - | $ - |
| Balch Springs Community and Economic Development Corporation | 1,915,009 | - | - | - |
| Total component units | $ 3,987,109 | $ - | $ - | $ - |
| General revenues: | | | | |
| Taxes | | | | |
| Sales taxes | | | | |
| Investment earnings | | | | |
| **Total general revenues** | | | | |
| Change in net position | | | | |
| Net position at beginning of year | | | | |
| **Net position, end of year** | | | | |

The Notes to the Basic Financial Statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Balch Springs Industrial and Economic Development Corporation | Balch Springs Community and Economic Development Corporation | Total |
| $ (2,072,100) | $ - | $ (2,072,100) |
| - | (1,915,009) | (1,915,009) |
| $ (2,072,100) | $ (1,915,009) | $ (3,987,109) |
| | | |
| $ 1,454,718 | $ 1,454,718 | $ 2,909,436 |
| 20,122 | 20,279 | 40,401 |
| 1,474,840 | 1,474,997 | 2,949,837 |
| (597,260) | (440,012) | (1,037,272) |
| 4,820,938 | 1,785,580 | 6,606,518 |
| $ 4,223,678 | $ 1,345,568 | $ 5,569,246 |

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## Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Balch Springs, Texas (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, other finances sources (uses), and nonoperating revenues (expenses). Actual results could vary from the estimates that are used. Significant policies of the City are described below.

The City, originally incorporated in 1990, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the public safety (police and fire), water and sewer utilities, public works, library, parks and recreation, and general administrative services of the City, and its residents. The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters.

### A. Financial Statement Presentation

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, *the Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 and GASB Statement 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either: (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Balch Springs Industrial and Economic Development Corporation 4A (4A) and the Balch Springs Community and Economic Development Corporation 4B (4B) are nonprofit economic development corporations formed in October of 1982 and 1997, respectively, under the Development Corporation Act of 1979. Both 4A and 4B are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of streets and municipal buildings, the acquisition, improvement, and operation of parks, as well as other economic development purposes.

The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. 4A and 4B have been presented as discretely presented component units in the accompanying financial statements. Separate financial statements of the individual component units are not available.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all the City's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. "Direct expenses" are those that are clearly identifiable with a specific program of City government. "Program revenues" include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

### C. Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses, and balances of current financial resources. The City has presented the following major Governmental Funds:

**General Fund**: The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Capital Projects Fund:** To account for financial activity associated with long-term capital projects within governmental funds.

**Grant Fund:** To account for financial activity associated with federal, state, and local grants. Resources are only spent according to the terms of the grant.

**Street Maintenance Tax Fund:** To account for the financial activity associated with the one-quarter cent (¼¢) sales tax dedicated for street maintenance.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The City has presented the following major Proprietary Fund:

**Utility Fund:** The Utility Fund is used to account for the acquisition, operation and maintenance of municipal water, sewer utility, and solid waste services, supported primarily by user charges to the public.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fiduciary Funds** are used to account for the accumulation of resources to be used for City of Balch Springs Public Improvement District No. 1 Project – McKenzie Trails (PID).

### D. Classification of Fund Equity

Fund balances are classified as non-spendable, restricted, committed, assigned, or unassigned in governmental funds. Non-spendable fund balances cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

### E. Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or "capital maintenance" information per fund.

The government-wide statements and fund financial statements for Proprietary Funds are reported using the economic resources measurement focus, which means all assets, deferred outflows of resources and liabilities (whether current or noncurrent), deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

Governmental Fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a "net income and capital maintenance" measurement focus. This means that all assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, expenses, and transfers relating to the activity of a Proprietary Fund are accounted for through the Proprietary Fund. The measurement focus is used in the determination of net income, financial position and cash flows.

**F. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, other financing sources (uses) or nonoperating revenues (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for Proprietary Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Ad valorem, franchise and sales tax, and court fine revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), other fines and forfeits, and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

**G. Cash and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, all funds participate in a pooling of cash and investments.

Statutes authorize the City to invest in obligation of the U.S. Treasury, agencies and instrumentalities; obligations of the State of Texas and related agencies; obligations of state, agencies, counties, cities, and other political subdivisions of any state rated A or above by Standard & Poor's Corporation of Moody's Investors Service; certificates of deposit issued by state or national banks and savings banks domiciled in Texas; fully collateralized direct repurchase agreements; prime domestic banker's acceptance (BA's); commercial paper with a stated maturity of 180 days or less and a rating of not less than A-1+ or its equivalent' and state or local government investment pools. Investment in debt securities and money market mutual funds for the City are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City considers quoted market price at September 30, 2024, to be the fair value of investments. The government investment pools, TexPool and LOGIC, operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

**H. Allowance for Uncollectible Accounts**

An allowance for uncollectible taxes including penalties and interest, water and sewer, and court fees and fines billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2025, were $170,228 for uncollectible taxes, $25,986 for water and sewer billings, and $3,041,615 for court fees and fines.

**I. Lease Receivable**

The City is a lessor for noncancellable leases related to cellular towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the lessee's rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**J. Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances", if applicable.

### K. Transactions Between Funds

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used and reimbursements, are recorded as transfers.

### L. Capital Assets and Leased Assets

Capital and leased assets, which include property, plant equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds and discretely presented component units. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have a useful life of over one year. Depreciation, which includes amortization of leased assets and financed purchases, is recorded on each class of depreciable property utilizing the straight-line method over the shorter of the estimated useful life or lease term of the related assets at the acquisition date or date placed in service. Estimated useful lives of major categories of property are:

| Assets | Years |
|---|---|
| Vehicles | 7 - 15 years |
| Furniture and equipment | 5 - 15 years |
| Machinery and equipment | 15 years |
| Buildings and improvements | 10 - 50 years |
| Leased vehicles | 1-5 years |
| Subscription-based IT arrangements (SBITA) | 1-5 years |

### M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension and other postemployment benefit (OPEB) contributions after measurement date –These contributions are deferred and recognized in the following fiscal year.
- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the pension and OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- Change in pension and OPEB assumptions – These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings (pensions) – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Difference in expected versus actual experience for the City's pension and OPEB plan – This difference is deferred and amortized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Net difference in projected and actual earnings (pensions) – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.
- Unavailable revenue – This amount represents property taxes and court fines receivable that were not collected within the 60-day availability period subsequent to year-end. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet - Governmental Funds.

### N. Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures.

### O. Accumulated Unpaid Vacations, Sick Leave, and Other Employee Benefit Amounts

The City's Police and Fire Department employees (civil service) accumulate 10 sick hours and 15 sick hours per month, respectively. The leave may be accumulated without limit. Upon termination, the civil service employees will receive lump sum payment for the full amount of sick days, if not more than 90 days are accumulated. If accumulation is in excess of 90 days, the lump sum payment is limited to that amount which would remain if the employee was allowed to use 90 days in the last six months of employment.

All other City employees accumulate 10 hours of sick leave per month. Non-civil service employees are required to be a City employee for at least 10 years to receive pay for unused sick leave. This pay is limited to 90 days.

Vacation time for the City's Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service and accumulation from year to year will be only upon the approval of the City Manager. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2025, the liability for accrued compensated absences is approximately $3,569,000. The amount expected to be paid from current resources is immaterial.

### P. Long-Term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### Q. Lease Liabilities

The City is a lessee for noncancellable leases of vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life for lease term, whichever is shorter.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital and leased assets and lease liabilities are reported with long-term liabilities on the statement of net position.

**R. Subscription-Based Information Technology Arrangements (SBITAs)**

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $50,000 or more.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

### S. Defined Benefit Pension Plan

For purposes of measuring the net pension liability, pension related deferred outflows of resources, and deferred inflows of resources and pension expense, City specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions

to/deductions from the City's fiduciary net position have been determined on the same basis as reported by TMRS. For this purpose, plan contributions are recognized in the period compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

### T. Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

### U. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

**Net Investment in Capital Assets**: This amount consists of capital and leased assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

**Restricted Net Position:** This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position:** This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

### V. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

### W. Fund Balance and Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### X. GASB Pronouncements Implemented by the City

GASB Statement No. 101, Compensated Absences (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

GASB Statement No. 102, Certain Risk Disclosures (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

### Y. Future Financial Reporting Requirements

The City has reviewed GASB pronouncements that become effective in future years and notes the following statements are applicable to the City.

Statement No. 103, "Financial Reporting Model Improvements". The requirements of this standard are effective in fiscal year 2026.

Statement No. 104, "Disclosure of Certain Capital Assets". The requirements of this standard are effective in fiscal year 2026.

Statement No. 105, "Subsequent Events". The requirements of this standard are effective in fiscal year 2027.

## Note 2. Pooled Cash and Investments

### A. Cash

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2025. At year-end, the carrying amount of the City's cash and cash equivalents was $49,550,516 (composed of $61,304,870 related to the primary government and $8,057,136 related to discretely presented component units). Of this amount, the amount of the City's cash and cash equivalents that was fully collateralized was $34,965,986 (composed of $27,016,938 related to the primary government and $7,949,048 related to discretely presented component units). The remaining amount of the City's cash and cash equivalents balance relates to pooled investments held with TexPool and LOGIC.

Restricted cash refers to assets that are held for a specific purpose and therefore not available for immediate or general business use. The restrictions are generally by contractual agreements or regulatory agreements. The City reports restricted investments for debt service and customer meter deposits related to the Utility Fund as well as restricted unspent bond proceeds in the discretely presented component units.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and municipal pools. During the year ended September 30, 2025, the City's investments were fully comprised of external investment pools.

Governmental investments are categorized as either: (1) insured or registered for which securities are held by the City or its agent in the City's name (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

**B. Interest Rate Risk**

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

**C. Custodial Credit Risk**

Custodial credit risk is the risk that a government will not be able to recover: (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC is measured at net asset value and is designed to approximate the share value. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

### D. Credit Risk

In compliance with the City's Investment Policy as of September 30, 2025, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments carried as cash equivalents due to liquidity measured as of September 30, 2025, are as follows:

| | Carrying Amount | Fair Value | Weighted-Average Maturity (Years) |
|---|---|---|---|
| Primary government | | | |
| TexPool | $ 4,275,874 | $ 4,275,874 | 0.112 |
| LOGIC | 30,012,058 | 30,012,058 | 0.142 |
| Total primary government | 34,287,932 | 34,287,932 | |
| Component units | | | |
| TexPool | 108,088 | 108,088 | 0.112 |
| Total component units | 108,088 | 108,088 | |
| **Total** | $ 34,396,020 | $ 34,396,020 | |

Deposits and investments as of September 30, 2025, are as follows:

| | |
|---|---|
| Primary government | |
| Deposits | $ 25,858,534 |
| Investments | 32,532,298 |
| Restricted investments | 1,755,634 |
| Total primary government | 60,146,466 |
| Component units | |
| Deposits | 7,949,048 |
| Investments | 108,088 |
| Total component units | 8,057,136 |
| **Total cash and cash equivalents** | $ 68,203,602 |

## Note 3. Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### A. Investment in State Investment Pools

During the year, the City invested in two public fund investment pools, including TexPool and LOGIC. The fair value of the position of the pools for LOGIC is measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost per share as the pool meets requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

### B. Recurring Measurements

As of the September 30, 2025, the City's primary government had investments in TexPool and LOGIC of $4,275,874 and $30,012,058, respectively, and Component Units had investments in TexPool of $108,088.

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

## Note 4. Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2025, were 97.2% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad valorem tax rate to $2.50 per $100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of $1.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a combined tax rate to finance general government service and debt service of $0.795 per $100.00 assessed valuation.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. If a city with a population of less than 30,000 adopts a tax rate that exceeds the greater of the City's voter-approval tax rate or the de minimis tax rate, the city council must order an election to approve the adopted tax rate for the November uniform election date.

## Note 5. Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2030 through 2033. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized $33,140 in lease revenue and $6,695 in interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was $268,839. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2025, the balance of the deferred inflow of resources was $262,262.

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of September 30, 2025:

| Fiscal Year Ending September 30, | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total Receipts |
| 2026 | $ 45,478 | $ 2,732 | $ 48,210 |
| 2027 | 46,991 | 2,396 | 49,387 |
| 2028 | 48,582 | 2,053 | 50,635 |
| 2029 | 50,255 | 1,703 | 51,958 |
| 2030 | 30,111 | 1,257 | 31,368 |
| 2031-2033 | 47,422 | 1,337 | 48,759 |
| **Total** | $ 268,839 | $ 11,478 | $ 280,317 |

## Note 6. Interfund Transactions

A summary of interfund receivables and payables at September 30, 2025 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Grant Fund | $ 1,090,733 |
| | | $ 1,090,733 |

Interfund receivables and payables are primarily used to account for cash owed between funds that are expected to be repaid within one year or less

Interfund transfers represent payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund.

For the year ended September 30, 2025, interfund transactions were as follows:

| | Transfer In | | |
|---|---|---|---|
| Transfer Out | General Fund | Nonmajor Governmental Funds | Total |
| General Fund | $ - | $ 34,707 | $ 34,707 |
| Non-major Governmental Funds | - | 50,015 | 50,015 |
| Utility Fund | 1,271,304 | - | 1,271,304 |
| **Total** | $ 1,271,304 | $ 84,722 | $ 1,356,026 |

During the fiscal year, the transfers were used to fund City improvements, capital asset purchases, and to fund an Emergency Reserve Fund to create and grow a financial reserve for instances of disaster, economic instability, and other emergencies within the City.

## Note 7. Capital and Leased Assets

Capital and leased assets of the Governmental Activities are as follows:

| | Balance October 1, 2024 | Increases | Decreases | Adjustments/ Transfers | Balance September 30, 2025 |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 1,428,066 | $ - | $ - | $ - | $ 1,428,066 |
| Construction in progress | 3,779,388 | 3,504,918 | - | - | 7,284,306 |
| Total capital assets, not being depreciated | 5,207,454 | 3,504,918 | - | - | 8,712,372 |
| Capital assets being depreciated/amortized: | | | | | |
| Buildings | 8,119,425 | - | - | - | 8,119,425 |
| Improvements | 19,675,791 | 719,460 | - | - | 20,395,251 |
| Furniture and equipment | 4,550,260 | 150,562 | - | - | 4,700,822 |
| Vehicles | 4,371,300 | 2,961,088 | - | 40,731 | 7,373,119 |
| Infrastructure | 12,639,878 | 169,500 | - | - | 12,809,378 |
| Leased vehicles | 1,610,263 | 309,763 | - | - | 1,920,026 |
| SBITAs | 162,281 | - | - | - | 162,281 |
| Total capital assets being depreciated/amortized | 51,129,198 | 4,310,373 | - | 40,731 | 55,480,302 |
| Less accumulated depreciation/amortization for: | | | | | |
| Buildings | 4,953,322 | 225,822 | - | - | 5,179,144 |
| Improvements | 3,826,018 | 849,439 | - | - | 4,675,457 |
| Furniture and equipment | 2,723,128 | 370,949 | - | - | 3,094,077 |
| Vehicles | 3,461,409 | 556,146 | - | - | 4,017,555 |
| Infrastructure | 3,331,470 | 449,268 | - | - | 3,780,738 |
| Leased vehicles | 854,242 | 370,093 | - | - | 1,224,335 |
| SBITAs | 106,151 | 56,130 | - | - | 162,281 |
| Total accumulated depreciation/amortization | 19,255,740 | 2,877,847 | - | - | 22,133,587 |
| Total capital assets being depreciated/amortized, net | 31,873,458 | 1,432,526 | - | 40,731 | 33,346,715 |
| **Governmental activities capital and leased assets, net** | $ 37,080,912 | $ 4,937,444 | $ - | $ 40,731 | $ 42,059,087 |

Depreciation/amortization expense was charged as a direct expense to programs of the primary government as follows:

| | |
|---|---|
| General and administrative | $ 427,252 |
| Public safety | 928,393 |
| Public works | 1,147,031 |
| Community development and recreation | 375,171 |
| **Total depreciation and amortization expense - governmental activities** | $ 2,877,847 |

Capital assets of the Utility Fund are as follows:

| | Balance October 1, 2024 | Increases | Decreases | Adjustments/ Transfers | Balance September 30, 2025 |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 263,984 | $ - | $ - | $ - | $ 263,984 |
| Right of way easements | 528,631 | - | - | - | 528,631 |
| Construction in progress | - | 67,500 | - | - | 67,500 |
| Total capital assets, not being depreciated | 792,615 | 67,500 | - | - | 860,115 |
| Capital assets being depreciated: | | | | | |
| Buildings | 2,522,980 | - | - | - | 2,522,980 |
| Equipment | 6,506,218 | 325,831 | - | - | 6,832,049 |
| Infrastructure and improvement | 37,005,623 | 1,104,753 | - | - | 38,110,376 |
| Vehicles | 1,967,587 | - | - | - | 1,967,587 |
| Total capital assets being depreciated | 48,002,408 | 1,430,584 | - | - | 49,432,992 |
| Less accumulated depreciation | 22,760,924 | 1,335,109 | - | - | 24,096,033 |
| Total capital assets being depreciated, net | 25,241,484 | 95,475 | - | - | 25,336,959 |
| **Business-type activities capital assets, net** | $ 26,034,099 | $ 162,975 | $ - | $ - | $ 26,197,074 |

Depreciation expense of $1,430,584 was charged as a direct expense to the Utility fund within the primary government.

Capital assets of the Balch Springs Industrial and Economic Development Corporation are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Balch Springs Industrial and Economic Development Corporation | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,109,396 | $ - | $ - | $ 1,109,396 |
| **Total capital assets, not being depreciated** | $ 1,109,396 | $ - | $ - | $ 1,109,396 |

## Note 8. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

| | Balance October 1, 2024 | Additions | Retired or Refunded | Balance September 30, 2025 | Amount Due within One year |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| General obligation bonds | $ 1,520,000 | $ - | $ (490,000) | $ 1,030,000 | $ 505,000 |
| Certificates of obligation | 4,030,000 | 13,175,000 | (105,000) | 17,100,000 | 110,000 |
| Premiums on bond debt | 140,571 | 600,249 | (63,980) | 676,840 | - |
| Compensated absences* | 4,752,911 | - | (1,341,278) | 3,411,633 | 341,163 |
| Financed purchases | 2,613,643 | - | (382,693) | 2,230,950 | 396,369 |
| Claims and judgments | 45,000 | - | (45,000) | - | - |
| Lease liabilities | 791,326 | 293,417 | (344,951) | 739,792 | 298,990 |
| SBITA liabilities | 56,239 | - | (56,239) | - | - |
| Total governmental activities | $ 13,949,690 | $ 14,068,666 | $ (2,829,141) | $ 25,189,215 | $ 1,651,522 |
| **Business-type activities** | | | | | |
| Revenue bonds | $ 3,740,000 | $ - | $ (545,000) | $ 3,195,000 | $ 560,000 |
| Premiums on bond debt | 95,938 | - | (25,215) | 70,723 | - |
| Compensated absences* | 1,346,621 | - | (1,265,157) | 81,464 | 8,147 |
| Financed purchases | 1,190,743 | - | (284,308) | 906,435 | 293,046 |
| Total business-type activities | $ 6,373,302 | $ - | $ (2,119,680) | $ 4,253,622 | $ 861,193 |
| **Discretely Presented Component Units** | | | | | |
| Revenue bonds | $ 3,860,000 | $ - | $ (280,000) | $ 3,580,000 | $ 295,000 |
| Premiums on bond debt | 216,274 | - | (23,369) | 192,905 | - |
| Compensated absences* | 87,264 | - | (11,363) | 75,901 | 7,590 |
| Total discretely presented component units | $ 4,163,538 | $ - | $ (314,732) | $ 3,848,806 | $ 302,590 |

* Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

General long-term liabilities consist of financed purchases, lease liabilities, liabilities for accrued vacation leave, liabilities due to the State, and general obligation bonds and certificates of obligation which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds are secured by ad valorem taxes levied on all taxable property within the City and made in the Debt Service fund. Although these bonds are secured by the full faith and credit of the City, they have no specific claim against Utility Fund assets. Debt service requirements of the Utility fund including principal and interest are secured by operating revenues of the Utility fund and are expected to be less than 50% of net revenues.

Accordingly, this debt is reflected as an obligation of the Utility Fund. Proceeds from Utility fund debt issued are for the primary purpose of water and sewer distribution system improvements. Debt service requirements of the component units are secured and paid for by sales tax revenues. The total pledged revenue for each related debt issuance is included in the amortization tables later in this note.

General obligation bonds and revenue bonds outstanding at September 30, 2025, consist of the following:

| | Governmental Activities | Business-type Activities | Total Primary Government | Discretely Presented Component Unit |
|---|---|---|---|---|
| General Obligation Bonds | | | | |
| $7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% - 3.50% | $ 1,030,000 | $ - | $ 1,030,000 | $ - |
| Certificates of Obligation | | | | |
| $4,495,000, 2019 Combination Tax and Revenue Certificates of Obligation, due in annual installments through September 1, 2039, 2.50% - 5.00% | $ 3,925,000 | $ - | $ 3,925,000 | $ - |
| $13,175,000, 2025 Combination Tax and Revenue Certificates of Obligation, due in annual installments through September 1, 2045, 5.00% | 13,175,000 | - | 13,175,000.00 | - |
| Revenue Bonds | | | | |
| $6,795,000, 2016 Revenue Refunding Bonds, due in annual installments through September 1, 2031, 2.15% | $ - | $ 3,195,000 | $ 3,195,000 | $ - |
| $2,580,000, 2019 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2042, 2031, 2.50% - 5.00% | - | - | - | 2,075,000 |
| $2,255,000, 2021 Sales Tax Revenue Refunding Bonds, due in bi-annual installments through August 15, 2032, 2.50% - 4.00% | - | - | - | 1,505,000 |
| **Total** | $ 18,130,000 | $ 3,195,000 | $ 21,325,000 | $ 3,580,000 |

The annual requirements to amortize the long-term debt as of September 30, 2025, are as follows:

General Obligation Bonds and Certificates of Obligation

| Fiscal Year Ending September 30, | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 615,000 | $ 809,040 | $ 1,424,040 |
| 2027 | 640,000 | 781,476 | 1,421,476 |
| 2028 | 345,000 | 758,500 | 1,103,500 |
| 2029 | 410,000 | 742,450 | 1,152,450 |
| 2030 | 485,000 | 723,200 | 1,208,200 |
| 2031-2035 | 3,570,000 | 3,246,500 | 6,816,500 |
| 2036-2040 | 4,440,000 | 2,424,994 | 6,864,994 |
| 2041-2045 | 3,345,000 | 1,588,000 | 4,933,000 |
| 2046-2050 | 4,280,000 | 662,500 | 4,942,500 |
| **Total** | $ 18,130,000 | $ 11,736,660 | $ 29,866,660 |

Revenue Bonds

| Fiscal Year Ending September 30, | Business-Type Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 560,000 | $ 70,195 | $ 630,195 |
| 2027 | 575,000 | 53,395 | 628,395 |
| 2028 | 590,000 | 41,895 | 631,895 |
| 2029 | 600,000 | 30,095 | 630,095 |
| 2030 | 610,000 | 18,095 | 628,095 |
| 2031 | 260,000 | 5,590 | 265,590 |
| **Total** | $ 3,195,000 | $ 219,265 | $ 3,414,265 |

Revenue Bonds

| Fiscal Year Ending September 30, | Discretely Presented Component Units | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 295,000 | $ 113,228 | $ 408,228 |
| 2027 | 295,000 | 106,426 | 401,426 |
| 2028 | 305,000 | 99,191 | 404,191 |
| 2029 | 315,000 | 91,353 | 406,353 |
| 2030 | 320,000 | 83,016 | 403,016 |
| 2031-2035 | 1,025,000 | 291,707 | 1,316,707 |
| 2036-2040 | 700,000 | 151,000 | 851,000 |
| 2041-2042 | 325,000 | 19,600 | 344,600 |
| **Total** | $ 3,580,000 | $ 955,521 | $ 4,535,521 |

Financed Purchases

| Fiscal Year Ending September 30, | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 396,369 | $ 91,236 | $ 487,605 |
| 2027 | 230,870 | 77,053 | 307,923 |
| 2028 | 240,567 | 67,356 | 307,923 |
| 2029 | 250,671 | 57,252 | 307,923 |
| Thereafter | 1,112,473 | 176,465 | 1,288,938 |
| **Total** | $ 2,230,950 | $ 469,362 | $ 2,700,312 |

Financed Purchases

| Fiscal Year Ending September 30, | Business-Type Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 293,046 | $ 25,429 | $ 318,475 |
| 2027 | 302,053 | 16,423 | 318,476 |
| 2028 | 311,335 | 7,140 | 318,475 |
| **Total** | $ 906,434 | $ 48,992 | $ 955,426 |

The City is obligated under certain leases that meet the criteria to be accounted for as financed purchases. The leased assets have a stated cost of $4,022,126 in the governmental activities and $2,609,518 in the business-type activities. Interest rates range from 1.60% to 2.61%.

### Bond Issuances

On August 15, 2025, the City issued "City of Balch Springs, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025," totaling $13,175,000 to finance the construction, widening and improvement of city streets, equipping public parks, and municipal infrastructure. The Series 2025 CO bonds incur an average cost over the life of the bonds at a rate of 5.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2045.

### Special Assessment Bonds

Special assessment bonds are used to finance the acquisition and construction of certain improvement projects and related debt issuance reserves and costs pertaining to public improvement districts. On May 21, 2025, the City issued $6,181,000 in special assessment bonds to develop public infrastructure within McKenzie Trails, including streets, water, sanitary sewer, and storm drainage. These bonds will be repaid from amounts levied against property owners benefitted by this construction. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. The City is only acting as an agent for the property owners and is in no way liable for repayment. The bonds have a stated rate of interest of 4.650-5.920 percent and are payable over the next 25 years.

| | Sale Date | Original Borrowing | Interest Rate | Maturity Date | Outstanding |
|---|---|---|---|---|---|
| District No. 1 Project | 4/28/2025 | $ 5,030,000 | 4.650 - 5.920 | 9/15/2050 | $ 4,450,000 |

### Lease Liability

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2030 through 2028. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was $739,792. Incremental borrowing rates of 3.80% to 8.37% were used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was $1,920,026 and had accumulated amortization of $1,224,335.

The future principal and interest payments for lease liabilities as of September 30, 2025, are as follows:

| Lease Liabilities | | | |
|---|---|---|---|
| | Governmental Activities | | |
| Fiscal Year Ending September 30, | Principal | Interest | Total Requirements |
| 2026 | $ 298,990 | $ 34,843 | $ 333,833 |
| 2027 | 228,926 | 26,678 | 255,604 |
| 2028 | 160,495 | 18,703 | 179,198 |
| 2029 | 47,557 | 5,542 | 53,099 |
| 2030 | 3,824 | 446 | 4,270 |
| **Total** | $ 739,792 | $ 86,212 | $ 826,004 |

**Subscription Based Information Technology Arrangements (SBITA)**

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The incremental borrowing rate of 4.02% was used to measure the SBITA payable.

At the end of the current fiscal year, the SBITA liability remaining is $0. The value of the subscription assets as of the end of the current fiscal year was $162,281 and had accumulated amortization of $162,281.

## Note 9. Retirement Plan

### A. Plan Description

The City and its two component units participate as one of 938 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

### B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Members' contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

| | |
|---|---|
| Employee deposit rate | 7.00% |
| Matching ration (City to employee) | 2 - 1 |
| Years required for vesting | 5 |
| Service requirement eligibility (expressed as age/years of service) | 60/5 , 0/20 |
| Updated service credit | 100% repeating, Transfers |
| Annuity increase (to retirees) | 70% of CPI repeating |

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 139 |
| Inactive employees entitled to but not yet receiving benefits | 151 |
| Active employees | 185 |
| **Total** | 475 |

### C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Balch Springs were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 17.07% and 15.38% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $2,573,269, and were equal to the required contributions.

### D. Net Pension Liability

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.6-11.85% per year, including inflation, if any |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global equity | 35.0% | 7.10% |
| Core fixed income | 6.0% | 5.00% |
| Non-core fixed income | 6.0% | 6.80% |
| Hedge funds | 5.0% | 6.40% |
| Private equity | 13.0% | 8.50% |
| Private debt | 13% | 8.20% |
| Real estate | 12.0% | 6.70% |
| Infrastructure | 6% | 6.00% |
| Other private markets | 4.0% | 7.30% |
| **Total** | 100.0% | |

### E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2025, were as follows:

| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|---|---|---|
| Balance as of October 1, 2024 | $ 58,235,963 | $ 47,825,691 | $ 10,410,272 |
| Changes for the year: | | | |
| Service cost | 2,431,996 | - | 2,431,996 |
| Interest on total pension liability | 3,944,392 | - | 3,944,392 |
| Effect of difference in expected and actual experience | 476,790 | - | 476,790 |
| Changes in assumptions | - | - | - |
| Benefit payments | (2,033,061) | (2,033,061) | - |
| Administrative expense | - | (31,870) | 31,870 |
| Member contributions | - | 959,638 | (959,638) |
| Net investment income | - | 4,985,517 | (4,985,517) |
| Employer contributions | - | 2,071,446 | (2,071,446) |
| Other changes | - | (744) | 744 |
| Net Changes | 4,820,117 | 5,950,926 | (1,130,809) |
| Balance as of September 30, 2025 | $ 63,056,080 | $ 53,776,617 | $ 9,279,463 |
| City | $ 61,794,958 | $ 52,701,085 | $ 9,093,873 |
| Component units | $ 1,261,122 | $ 1,075,532 | $ 185,590 |

### F. Sensitivity to Interest Rate Changes

The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Current Single Rate Assumption 6.75% | 1% Increase in Discount Rate (7.75%) |
|---|---|---|---|
| City's net pension liability | $ 18,970,374 | $ 9,093,873 | $ 1,116,358 |
| Component unit's net pension liability | 387,150 | 185,590 | 22,783 |

### G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

### H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City and its Component Units recognized pension expense, as measured in accordance with GASB Statement No. 68, of $2,863,467 and $58,438, respectively, and at September 30, 2025, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| **Primary government** | | |
| Differences between expected and actual economic experience | $ 775,943 | $ - |
| Changes of assumptions | - | 139,222 |
| Net difference between projected and actual investment earnings | - | 576,749 |
| Contributions subsequent to the measurement date | 2,007,260 | - |
| **Total** | $ 2,783,203 | $ 715,971 |

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| **Component units** | | |
| Differences between expected and actual economic experience | $ 15,836 | $ - |
| Changes of assumptions | - | 2,841 |
| Net difference between projected and actual investment earnings | - | 11,771 |
| Contributions subsequent to the measurement date | 40,964 | - |
| **Total** | $ 56,800 | $ 14,612 |

At September 30, 2025, the City and its Component Units reported $2,007,260 and $40,964 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. These amounts will be recognized as a reduction in the net pension liability for the year ending September 30, 2026.
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

**Primary Government**

| Fiscal Year Ended September 30, | |
|---|---|
| 2026 | $ 415,562 |
| 2027 | 699,852 |
| 2028 | (711,016) |
| 2029 | (344,426) |
| Thereafter | - |
| | $ 59,972 |

**Component Units**

| Fiscal Year Ended September 30, | |
|---|---|
| 2026 | $ 8,482 |
| 2027 | 14,283 |
| 2028 | (14,511) |
| 2029 | (7,030) |
| Thereafter | - |
| | $ 1,224 |

## Note 10. Postemployment Benefits Other Than Pensions

### A. Plan Description

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

As of December 31, 2024, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 82 |
| Inactive employees entitled to but not yet receiving benefits | 18 |
| Active employees | 185 |
| **Total employees** | 285 |

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

### B. Total OPEB Liability

The City's total OPEB liability of $434,951 ($426,251 City and $8,700 component units) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

### C. Actuarial Assumptions

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85%, including inflation |
| Discount Rate | 4.08% as of December 31, 2024<br>Source: Fidelity Index's "20-Year Municipal GO AA Index" |
| Retirees' share of benefit related costs | $0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality rates – service retirees | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence). |
| Mortality rates – disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set- forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. |

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

### D. Changes in Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance as of October 1, 2024 | $ 451,671 |
| Changes for the year | |
| Service Cost | 19,193 |
| Interest on Total OPEB Liability | 17,157 |
| Differences between expected and actual experience | (16,631) |
| Effect of assumption changes (discount rate change) | (24,101) |
| Benefit payments | (12,338) |
| **Balance as of September 30, 2025** | $ 434,951 |
| City | $ 426,251 |
| Component units | $ 8,700 |

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City has been calculated using a discount rate of 4.08%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

| | 1% Decrease (3.08%) | Current Discount Rate (4.08%) | 1% Increase (5.08%) |
|---|---|---|---|
| City's total OPEB liability | $ 509,071 | $ 426,251 | $ 361,586 |
| Component unit's total OPEB liability | 10,389 | 8,700 | 7,379 |

### E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City and its Component Units recognized OPEB expense of $14,778 and $302, respectively. At September 30, 2025, the City and its Component Units reported deferred outflows of resources related to OPEB from the following sources:

| **Primary government** | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 3,872 | $ 23,304 |
| Changes in actuarial assumptions | 41,807 | 128,508 |
| Contributions subsequent to the measurement date | 11,646 | - |
| | $ 57,325 | $ 151,812 |

| **Component Units** | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 79 | $ 476 |
| Changes in actuarial assumptions | 853 | 2,622 |
| Contributions subsequent to the measurement date | 238 | - |
| | $ 1,170 | $ 3,098 |

At September 30, 2025, the City and its Component Units reported $11,646 and $238 as deferred outflows of resources related to the OPEB plan resulting from City contributions subsequent to the measurement date. These amounts will be recognized as a reduction in the total OPEB liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Primary Government**

| Fiscal Year Ended | |
|---|---|
| 2026 | $ (23,602) |
| 2027 | (32,942) |
| 2028 | (39,317) |
| 2029 | (5,998) |
| 2030 | (4,274) |
| Thereafter | - |
| | $ (106,133) |

**Component units**

| Fiscal Year Ended | |
|---|---|
| 2026 | $ (482) |
| 2027 | (672) |
| 2028 | (802) |
| 2029 | (122) |
| 2030 | (88) |
| Thereafter | - |
| | $ (2,166) |

## Note 11. Commitments and Contingencies

### A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

### B. Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2025, may be impaired.

### C. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position. The amount of ultimate loss, if any, could differ materially.

## Note 12. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, and through June 11, 2026, the date the financial statements were issued.

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# Required Supplementary Information

**City of Balch Springs, Texas**
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Measurement Years
(Unaudited)

| | Measurement Year | | | | |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total pension liability: | | | | | |
| Service cost | $ 2,431,996 | $ 2,071,861 | $ 1,878,960 | $ 1,881,108 | $ 1,773,241 |
| Interest (on the Total Pension Liability) | 3,944,392 | 3,666,936 | 3,398,071 | 3,108,301 | 2,892,515 |
| Changes of benefit terms | - | - | - | - | - |
| Difference between expected and actual experience | 476,790 | 724,378 | 808,312 | 1,274,176 | (8,535) |
| Change in assumptions | - | (336,671) | - | - | - |
| Benefit payments, including refunds of employee contributions | (2,033,061) | (2,359,165) | (2,038,051) | (1,901,212) | (1,127,430) |
| Net change in total pension liability | 4,820,117 | 3,767,339 | 4,047,292 | 4,362,373 | 3,529,791 |
| Total pension liability - beginning | 58,235,963 | 54,468,624 | 50,421,332 | 46,058,959 | 42,529,168 |
| Total pension liability - ending (a) | 63,056,080 | 58,235,963 | 54,468,624 | 50,421,332 | 46,058,959 |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | 2,071,446 | 1,781,472 | 1,563,629 | 1,556,379 | 1,487,553 |
| Contributions - employee | 959,638 | 883,792 | 811,896 | 811,822 | 765,271 |
| Net investment income | 4,985,517 | 4,949,486 | (3,339,439) | 5,221,956 | 2,747,086 |
| Benefit payments, including refunds of employee contributions | (2,033,061) | (2,359,165) | (2,038,051) | (1,901,212) | (1,127,430) |
| Administrative expense | (31,870) | (31,368) | (28,803) | (24,087) | (17,721) |
| Other | (744) | (219) | 34,370 | 165 | (691) |
| Net change in plan fiduciary net position | 5,950,926 | 5,223,998 | (2,996,398) | 5,665,023 | 3,854,068 |
| Plan fiduciary net position - beginning | 47,825,691 | 42,601,693 | 45,598,091 | 39,933,068 | 36,079,000 |
| Plan fiduciary net position - ending (b) | 53,776,617 | 47,825,691 | 42,601,693 | 45,598,091 | 39,933,068 |
| **Net pension liability - ending (a) - (b)** | $ 9,279,463 | $ 10,410,272 | $ 11,866,931 | $ 4,823,241 | $ 6,125,891 |
| Plan fiduciary net position as a percentage of total pension liability | 85.28% | 82.12% | 78.21% | 90.43% | 86.70% |
| Covered payroll | $ 13,709,111 | $ 12,625,601 | $ 11,598,516 | $ 11,597,462 | $ 10,932,438 |
| Net pension liability as a percentage of covered payroll | 67.69% | 82.45% | 102.31% | 41.59% | 56.03% |

Other Information: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

| Measurement Year | | | | |
|---|---|---|---|---|
| 2019 | 2018 | 2017 | 2016 | 2015 |
| $ 1,774,058 | $ 1,669,833 | $ 1,616,166 | $ 1,588,187 | $ 1,588,374 |
| 2,671,471 | 2,462,606 | 2,283,954 | 2,114,326 | 1,968,932 |
| - | - | - | - | - |
| (202,781) | (168,017) | (399,111) | (322,634) | 464,652 |
| 117,794 | - | - | - | (1,315) |
| (1,043,383) | (801,111) | (961,171) | (800,546) | (849,057) |
| 3,317,159 | 3,163,311 | 2,539,838 | 2,579,333 | 3,171,586 |
| 39,212,009 | 36,048,698 | 32,877,112 | 30,337,274 | 27,757,941 |
| 42,529,168 | 39,212,009 | 35,416,950 | 32,916,607 | 30,929,527 |
| 1,505,228 | 1,446,376 | 1,407,797 | 1,344,107 | 1,532,886 |
| 761,865 | 711,000 | 684,402 | 667,305 | 681,706 |
| 4,684,138 | (893,537) | 3,492,211 | 1,518,848 | 31,089 |
| (1,043,383) | (801,111) | (961,171) | (800,546) | (849,057) |
| (26,380) | (17,225) | (18,064) | (17,126) | (18,929) |
| (793) | (900) | (915) | (922) | (935) |
| 5,880,675 | 444,603 | 4,604,260 | 2,711,666 | 1,376,760 |
| 30,198,325 | 29,753,722 | 25,149,462 | 22,437,796 | 21,061,036 |
| 36,079,000 | 30,198,325 | 29,753,722 | 25,149,462 | 22,437,796 |
| $ 6,450,168 | $ 9,013,684 | $ 5,663,228 | $ 7,767,145 | $ 8,491,731 |
| 84.83% | 77.01% | 84.01% | 76.40% | 72.54% |
| $10,883,790 | $10,157,138 | $ 9,777,168 | $ 9,532,935 | $ 9,738,654 |
| 59.26% | 88.74% | 57.92% | 81.48% | 87.20% |

**City of Balch Springs, Texas**
Texas Municipal Retirement System
Schedule of Pension Contributions
Last Ten Fiscal Years
(Unaudited)

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Actuarially determined contribution | $ 2,573,269 | $ 2,007,157 | $ 1,772,553 | $ 1,596,587 | $ 1,567,771 |
| Contributions in relation of the actuarially determined contribution | 2,573,269 | 2,007,157 | 1,772,553 | 1,596,587 | 1,567,771 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $15,368,714 | $13,246,922 | $12,480,781 | $11,697,182 | $11,491,244 |
| Contributions as a percentage of covered payroll | 16.74% | 15.15% | 14.20% | 13.65% | 13.64% |

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end.

| Fiscal Year | | | | |
|---|---|---|---|---|
| 2020 | 2019 | 2018 | 2017 | 2016 |
| $ 1,511,814 | $ 1,519,431 | $ 1,443,961 | $ 1,400,137 | $ 1,397,512 |
| 1,511,814 | 1,519,431 | 1,443,961 | 1,400,137 | 1,397,512 |
| $ - | $ - | $ - | $ - | $ - |
| $ 11,063,241 | $ 10,157,138 | $ 10,107,933 | $ 9,780,905 | $ 9,593,837 |
| 13.67% | 14.96% | 14.29% | 14.32% | 14.57% |

# City of Balch Springs, Texas

Texas Municipal Retirement System - Supplemental Death Benefit Fund
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Eight Measurement Years
(Unaudited)

| | Measurement year | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability: | | | | | | | | |
| Changes for the year | | | | | | | | |
| Service Cost | $ 19,193 | $ 16,414 | $ 32,476 | $ 34,792 | $ 25,145 | $ 18,502 | $ 21,331 | $ 17,599 |
| Interest on Total OPEB Liability | 17,157 | 16,884 | 11,210 | 10,964 | 12,598 | 13,546 | 12,164 | 11,659 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | (16,631) | (7,414) | 3,022 | 6,803 | (19,173) | (15,766) | (3,565) | - |
| Changes in assumptions or other inputs | (24,101) | 22,155 | (221,934) | 18,942 | 73,552 | 76,643 | (27,721) | 30,913 |
| Benefit payments | (12,338) | (10,100) | (8,119) | (10,438) | (3,280) | (3,265) | (3,047) | (2,934) |
| Net change in total OPEB liability | (16,720) | 37,939 | (183,345) | 61,063 | 88,842 | 89,660 | (838) | 57,237 |
| Total OPEB Liability - beginning | 451,671 | 413,732 | 597,077 | 536,014 | 447,172 | 357,512 | 358,350 | 301,113 |
| Total OPEB Liability - ending | $ 434,951 | $ 451,671 | $ 413,732 | $ 597,077 | $ 536,014 | $ 447,172 | $ 357,512 | $ 358,350 |
| Covered-employee payroll | $ 13,709,111 | $ 12,625,601 | $ 11,598,516 | $ 11,597,462 | $ 10,932,438 | $ 10,883,790 | $ 10,157,138 | $ 9,777,168 |
| Total OPEB Liability as a percentage of covered-employee payroll | 3.17% | 3.58% | 3.57% | 5.15% | 4.90% | 4.11% | 3.52% | 3.67% |

Other Information: The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

## City of Balch Springs, Texas

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended September 30, 2025
(Unaudited)

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes and fees | $ 23,296,830 | $ 23,249,122 | $ 23,729,579 | $ 480,457 |
| Licenses and permits | 435,200 | 384,655 | 891,504 | 506,849 |
| Intergovernmental | 3,837,500 | 3,837,500 | 2,806,947 | (1,030,553) |
| Charges for services | 132,100 | 81,550 | 130,574 | 49,024 |
| Fines and forfeitures | 415,000 | 410,000 | 776,139 | 366,139 |
| Interest | 800,100 | 300,160 | 365,958 | 65,798 |
| Miscellaneous | 33,750 | 56,250 | 321,332 | 265,082 |
| Total revenues | 28,950,480 | 28,319,237 | 29,022,033 | 702,796 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 2,888,846 | 2,916,709 | 2,584,657 | 332,052 |
| Public safety | 16,794,226 | 16,934,637 | 14,355,499 | 2,579,138 |
| Public works | 6,310,269 | 6,856,810 | 5,919,876 | 936,934 |
| Community development and recreation | 1,537,469 | 1,577,569 | 1,149,258 | 428,311 |
| Capital outlay | 4,151,655 | 4,356,572 | 4,748,789 | (392,217) |
| Debt service: | | | | |
| Principal retirement | 382,694 | 382,694 | 784,171 | (401,477) |
| Interest and fiscal charges | 104,911 | 104,911 | 165,082 | (60,171) |
| Total expenditures | 32,170,070 | 33,129,902 | 29,707,332 | 3,422,570 |
| Excess (deficiency) of revenues over (under) expenditures | (3,219,590) | (4,810,665) | (685,299) | 4,125,366 |
| Other financing sources (uses): | | | | |
| Operating transfers in | 1,797,509 | 1,983,496 | 1,271,304 | (712,192) |
| Operating transfers out | (44,707) | (44,707) | (34,707) | 10,000 |
| Proceeds from financed purchase | - | - | - | - |
| Leases (as lessee) | - | - | 309,763 | 309,763 |
| Insurance recoveries | - | - | 50,004 | 50,004 |
| Total other financing sources (uses) | 1,752,802 | 1,938,789 | 1,596,364 | (342,425) |
| Net change in fund balance | (1,466,788) | (2,871,876) | 911,065 | 3,782,941 |
| Fund balance at beginning of year | 12,462,053 | 12,462,053 | 12,462,053 | - |
| **Fund balance, end of year** | $ 10,995,265 | $ 9,590,177 | $ 13,373,118 | $ 3,782,941 |

## Note 1. Pension Plan

**Valuation Date:**

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 21 years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence).<br>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence). |

**Other information:**

There were no benefit changes during the year.

## Note 2. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with GAAP.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

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# Non-Major Combining Financial Statements and Schedules

## Listing of Non-Major Governmental Funds

**Special Revenue Funds**

The following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes.

State Chapter 59 Law Enforcement
To account for the financial activity associated with seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Grants
To account for the financial activity associated with Department of Justice Grants awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Forfeitures
To account for the financial activity associated with Department of Justice seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

US Treasury Forfeitures
To account for the financial activity associated with the Department of Justice seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

Municipal Court Technology
To account for the financial activity associated with the portion of citations that have been restricted for technology in Municipal Court.

Municipal Court Building Security
To account for the financial activity associated with the portion of citations that have been restricted for security in Municipal Court.

Hotel Occupancy Tax
To account for the financial activity associated with the seven percent (7%) occupancy tax collected by hotels, motels, and bed and breakfasts located in the City and ETJ. These funds are restricted for cultural and tourism activities.

Emergency Vehicle
To account for the financial activity associated with the proceeds from abandon vehicles sales, impound fees, insurance refunds, and funds previously designated to replace police and fire department vehicles.

Donations
To account for financial activity associated with donations to specific departments and for special purposes.

Tax Increment Reinvestment Zone
To account for financial activity associated with Tax Increment Reinvestment Zones (TIRZ) established in Balch Springs. Reinvestment Zone Number One designates 15% of the incremental ad valorem property tax value to be used for development within that zone. Property tax generated from Reinvestment Zone Number Two is designated to pay the debt on CO Bonds 2019 and is appropriated within the TIF Debt Service Fund.

Emergency Reserve
To account for the financial activity associated with accumulated funds to be used at the sole discretion of a majority of the City Council of the City of Balch Springs during instances of disaster, emergency, and economic instability within the City.

Community Development Corporation
To account for funds that enable social, cultural, humanitarian, trade, tourism, economic, educational, community development and related services and to aid the City in the performance of its government functions, services, programs and projects.

Public Facilities Corporation
To account for funds that provide the financing, acquisition, and construction of public facilities but not limited to single-family and multi-family development.

Marshal Seizure
To account for financial activity associated with the City's Marshal Seizure program.

Tax Increment Financing Fund
To account for financial activity associated with bond project costs related to improvements made within designated Tax Increment Reinvestment Zones.

**Debt Service Fund**

Debt Service
To account for the accumulation of financial resources for the payment, interest, and related costs of general long-term debt paid primarily from taxes levied by the City.

Tax Increment Financing Debt Service
To account for the accumulation of financial resources for the payment, interest, and related costs of long-term debt issued in the Tax Increment Financing Fund.

**City of Balch Springs, Texas**
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2025

| | State Chapter 59 Law Enforcement | Department of Justice Grants | Department of Justice Forfeitures | US Treasury Forfeitures | Municipal Court Technology | Municipal Court Building Security | Hotel Occupancy Tax |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Pooled cash and cash equivalents | $ 162,290 | $ 8,859 | $ 33,857 | $ 464,368 | $ 30,361 | $ 80,765 | $ 1,061,375 |
| Receivables (net of allowance): | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Other | 12,115 | - | - | - | - | - | - |
| Total assets | $ 174,405 | $ 8,859 | $ 33,857 | $ 464,368 | $ 30,361 | $ 80,765 | $ 1,061,375 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts and contracts payable | $ 19 | $ - | $ - | $ - | $ - | $ - | $ 11,100 |
| Accrued liabilities | - | - | - | - | - | - | - |
| Total liabilities | 19 | - | - | - | - | - | 11,100 |
| Deferred inflows of resources - unavailable revenue - property taxes | - | - | - | - | - | - | - |
| Fund balance (deficit): | | | | | | | |
| Restricted: | | | | | | | |
| Court security | - | - | - | - | 30,361 | 80,765 | - |
| Debt service | - | - | - | - | - | - | - |
| Law enforcement | 174,386 | 8,859 | 33,857 | 464,368 | - | - | - |
| Capital projects | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Promotion of tourism and hotel industry | - | - | - | - | - | - | 1,050,275 |
| Economic development | - | - | - | - | - | - | - |
| Committed: | | | | | | | |
| Emergency management reserve | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balances (deficits) | 174,386 | 8,859 | 33,857 | 464,368 | 30,361 | 80,765 | 1,050,275 |
| **Total liabilities, deferred inflows of resources and fund balances (deficits)** | $ 174,405 | $ 8,859 | $ 33,857 | $ 464,368 | $ 30,361 | $ 80,765 | $ 1,061,375 |

| Special Revenue | | | | | | | | Debt Service | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Emergency Vehicle | Donations | Tax Increment Reinvestment Zone | Emergency Reserve | Community Development Corporation | Public Facilities Corporation | Marshal Seizure | Tax Increment Financing Fund | Debt Service | Tax Increment Financing Debt Service | Total Non-major Governmental Funds |
| $ 96,492 | $ 159,933 | $ 1,437,512 | $ 243,282 | $ 4,551 | $ 1,131,544 | $ 16,239 | $ 12,980 | $ 841,591 | $ (731) | $ 5,785,268 |
| - | - | - | - | - | - | - | - | 57,607 | - | 57,607 |
| - | - | - | - | - | - | - | - | - | - | 12,115 |
| $ 96,492 | $ 159,933 | $ 1,437,512 | $ 243,282 | $ 4,551 | $ 1,131,544 | $ 16,239 | $ 12,980 | $ 899,198 | $ (731) | $ 5,854,990 |
| $ - | $ 434 | $ - | $ - | $ - | $ - | $ 8,974 | $ - | $ - | $ - | $ 20,527 |
| - | - | - | - | - | - | 11,283 | - | - | - | 11,283 |
| - | 434 | - | - | - | - | 20,257 | - | - | - | 31,810 |
| - | - | - | - | - | - | - | - | 39,370 | - | 39,370 |
| - | - | - | - | - | - | - | - | - | - | 111,126 |
| - | - | - | - | - | - | - | - | 859,828 | - | 859,828 |
| - | - | - | - | - | - | - | - | - | - | 681,470 |
| - | - | - | - | - | - | - | 12,980 | - | - | 12,980 |
| 96,492 | 159,499 | - | - | - | - | - | - | - | - | 255,991 |
| - | - | - | - | - | - | - | - | - | - | 1,050,275 |
| - | - | 1,437,512 | - | 4,551 | 1,131,544 | - | - | - | - | 2,573,607 |
| - | - | - | 243,282 | - | - | - | - | - | - | 243,282 |
| - | - | - | - | - | - | (4,018) | - | - | (731) | (4,749) |
| 96,492 | 159,499 | 1,437,512 | 243,282 | 4,551 | 1,131,544 | (4,018) | 12,980 | 859,828 | (731) | 5,783,810 |
| $ 96,492 | $ 159,933 | $ 1,437,512 | $ 243,282 | $ 4,551 | $ 1,131,544 | $ 16,239 | $ 12,980 | $ 899,198 | $ (731) | $ 5,854,990 |

## City of Balch Springs, Texas

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Non-Major Governmental Funds
For the Fiscal Year Ended September 30, 2025

| | Special Revenue | | | | | | |
|---|---|---|---|---|---|---|---|
| | State Chapter 59 Law Enforcement | Department of Justice Grants | Department of Justice Forfeitures | US Treasury Forfeitures | Municipal Court Technology | Municipal Court Building Security | Hotel Occupancy Tax |
| **Revenues:** | | | | | | | |
| Taxes and fees | $ - | $ - | $ - | $ - | $ - | $ - | $ 255,084 |
| Intergovernmental | - | 24,287 | - | - | - | - | - |
| Fines and forfeitures | 2,500 | - | - | 519 | 20,588 | 12,192 | - |
| Interest | 220 | 314 | 412 | 16,088 | 41 | 144 | 27,342 |
| Miscellaneous | - | - | - | - | - | - | - |
| Total revenues | 2,720 | 24,601 | 412 | 16,607 | 20,629 | 12,336 | 282,426 |
| **Expenditures:** | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | 6,199 | 24,333 | - | 104,661 | - | 1,733 | - |
| Community development and recreation | - | - | - | - | - | - | 64,714 |
| Capital outlay | - | - | - | - | - | - | - |
| Debt service: | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total expenditures | 6,199 | 24,333 | - | 104,661 | - | 1,733 | 64,714 |
| Excess (deficiency) of revenues over (under) expenditures | (3,479) | 268 | 412 | (88,054) | 20,629 | 10,603 | 217,712 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Proceeds from sale of capital assets | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Net change in fund balance (deficit) | (3,479) | 268 | 412 | (88,054) | 20,629 | 10,603 | 217,712 |
| Fund balance (deficit) at beginning of year | 177,865 | 8,591 | 33,445 | 552,422 | 9,732 | 70,162 | 832,563 |
| **Fund balance (deficit), end of year** | $ 174,386 | $ 8,859 | $ 33,857 | $ 464,368 | $ 30,361 | $ 80,765 | $ 1,050,275 |

| Special Revenue | | | | | | | | Debt Service | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Emergency Vehicle | Donations | Tax Increment Reinvestment Zone | Emergency Reserve | Community Development Corporation | Public Facilities Corporation | Marshal Seizure | Tax Increment Financing Fund | Debt Service | Tax Increment Financing Debt Service | Total Non-major Governmental Funds |
| $ - | $ - | $ 448,189 | $ - | $ - | $ - | $ - | $ - | $ 652,220 | $ - | $ 1,355,493 |
| - | - | - | - | - | - | - | - | - | 134,278 | 158,565 |
| - | - | - | - | - | - | - | - | - | - | 35,799 |
| 134 | 241 | 27,981 | 5,554 | - | 26,463 | - | 24 | 31,249 | 107 | 136,314 |
| - | 58,945 | - | - | 43 | 94,500 | - | - | - | - | 153,488 |
| 134 | 59,186 | 476,170 | 5,554 | 43 | 120,963 | - | 24 | 683,469 | 134,385 | 1,839,659 |
| - | 100 | - | - | - | - | - | - | - | - | 100 |
| - | 9,075 | - | - | - | - | 4,018 | - | - | - | 150,019 |
| - | 6,440 | - | - | - | - | - | - | - | - | 71,154 |
| - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 490,000 | 105,000 | 595,000 |
| - | - | - | - | - | - | - | - | 54,775 | 114,000 | 168,775 |
| - | 15,615 | - | - | - | - | 4,018 | - | 544,775 | 219,000 | 985,048 |
| 134 | 43,571 | 476,170 | 5,554 | 43 | 120,963 | (4,018) | 24 | 138,694 | (84,615) | 854,611 |
| - | - | - | - | - | - | - | - | - | 84,722 | 84,722 |
| - | - | (50,015) | - | - | - | - | - | - | - | (50,015) |
| 62,342 | - | - | - | - | - | - | - | - | - | 62,342 |
| 62,342 | - | (50,015) | - | - | - | - | - | - | 84,722 | 97,049 |
| 62,476 | 43,571 | 426,155 | 5,554 | 43 | 120,963 | (4,018) | 24 | 138,694 | 107 | 951,660 |
| 34,016 | 115,928 | 1,011,357 | 237,728 | 4,508 | 1,010,581 | - | 12,956 | 721,134 | (838) | 4,832,150 |
| $ 96,492 | $ 159,499 | $ 1,437,512 | $ 243,282 | $ 4,551 | $ 1,131,544 | $ (4,018) | $ 12,980 | $ 859,828 | $ (731) | $ 5,783,810 |

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# Discretely Presented Component Units Statements and Schedules

## Listing of Discretely Presented Component Units

Balch Springs Industrial and Economic Development Corporation – to account for revenues from an industrial development sales tax to build economic development activity within the City.

Balch Springs Community and Economic Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

**City of Balch Springs, Texas**
Balance Sheet
Industrial and Economic Development Corporation
September 30, 2025

| | Balch Springs Industrial and Economic Development Corporation |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 4,545,227 |
| Receivables: | |
| Sales tax | 249,727 |
| Total assets | $ 4,794,954 |
| **LIABILITIES** | |
| Accounts payable | $ 50,964 |
| Accrued liabilities | 2,185 |
| Total liabilities | 53,149 |
| **FUND BALANCES** | |
| Restricted for: | |
| Economic development | 4,741,805 |
| Total fund balance | 4,741,805 |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 4,794,954 |

**City of Balch Springs, Texas**
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Industrial and Economic Development Corporation
September 30, 2025

| | | |
|---|---|---|
| Total fund balance - BSIEDC balance sheet | | $ 4,741,805 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation. | | 1,109,396 |
| Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and inflows of resources consist of: | | |
| Deferred pension outflows (GASB 68) | $ 28,400 | |
| Deferred OPEB outflows (GASB 75) | 585 | |
| Deferred charge on refunding | 16,143 | |
| Deferred pension inflows (GASB 68) | (7,306) | |
| Deferred OPEB inflows (GASB 75) | (1,549) | 36,273 |
| Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental fund balance sheet. | | (3,779) |
| Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of: | | |
| Revenue bonds | $ (1,505,000) | |
| Premium on bond debt | (19,922) | |
| Net pension liability | (92,795) | |
| Total OPEB liability | (4,350) | |
| Compensated absences | (37,950) | (1,660,017) |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 4,223,678 |

## City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance
Industrial and Economic Development Corporation
For the Fiscal Year Ended September 30, 2025

| | Balch Springs Industrial and Economic Development Corporation |
|---|---|
| **REVENUES** | |
| Sales tax | $ 1,454,718 |
| Investment income | 20,122 |
| Total revenues | 1,474,840 |
| **EXPENDITURES** | |
| Current: | |
| Economic development | 2,037,691 |
| Debt service: | |
| Principal payments | 195,000 |
| Interest and fiscal charges | 38,428 |
| Total expenditures | 2,271,119 |
| Excess (deficiency) of revenues over (under) expenditures | (796,279) |
| Net change in fund balance | (796,279) |
| Fund balance, beginning of year | 5,538,084 |
| **FUND BALANCE, END OF YEAR** | $ 4,741,805 |

## City of Balch Springs, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Industrial and Economic Development Corporation
For the Fiscal Year Ended September 30, 2025

| | | |
|---|---|---|
| Net change in fund balance - BSIEDC governmental funds | | $ (796,279) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | 5,682 |
| Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds. | | 975 |
| Current year principal payments of long-term liabilities are shown as expenditures in the governmental funds, but shown as reductions in long-term liabilities in the Statement of Net Position as follows: | | |
| Revenue bonds | $ 195,000 | |
| Amortization of premiums on bonds issued | 5,937 | |
| Amortization of deferred loss on refunding | (4,811) | 196,126 |
| Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances. | | (3,764) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ (597,260) |

**City of Balch Springs, Texas**
Balance Sheet
Community and Economic Development Corporation
September 30, 2025

| | Balch Springs Community and Economic Development Corporation |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 3,336,413 |
| Restricted cash and cash equivalents | 175,496 |
| Receivables: | |
| Sales tax | 249,727 |
| Total assets | $ 3,761,636 |
| **LIABILITIES** | |
| Accounts payable | $ 40,560 |
| Accrued liabilities | 2,185 |
| Total liabilities | 42,745 |
| **FUND BALANCES** | |
| Restricted for: | |
| Economic development | 3,718,891 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE** | $ 3,761,636 |

**City of Balch Springs, Texas**
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Community and Economic Development Corporation
September 30, 2025

| | | |
|---|---|---|
| Total fund balance - BSCEDC balance sheet | | $ 3,718,891 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental fund balance sheet. | | (10,375) |
| Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of: | | |
| Revenue bonds | $ (2,075,000) | |
| Premium on bond debt | (172,983) | |
| Net pension liability | (92,795) | |
| Total OPEB liability | (4,350) | |
| Compensated absences | (37,950) | (2,383,078) |
| Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of: | | |
| Deferred pension outflows (GASB 68) | $ 28,400 | |
| Deferred OPEB outflows (GASB 75) | 585 | |
| Deferred pension inflows (GASB 68) | (7,306) | |
| Deferred OPEB inflows (GASB 75) | (1,549) | 20,130 |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 1,345,568 |

## City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance
Community and Economic Development Corporation
For the Fiscal Year Ended September 30, 2025

| | Balch Springs Community and Economic Development Corporation |
|---|---|
| **REVENUES** | |
| Sales tax | $ 1,454,718 |
| Interest income | 20,279 |
| Total revenues | 1,474,997 |
| **EXPENDITURES** | |
| Current: | |
| Administration | 321,517 |
| Economic development | 1,526,467 |
| Debt service: | |
| Principal retirement | 85,000 |
| Interest and fiscal charges | 86,800 |
| Total expenditures | 2,019,784 |
| Excess (deficiency) of revenues over (under) expenditures | (544,787) |
| Net change in fund balances | (544,787) |
| Fund balance, beginning of year | 4,263,678 |
| **FUND BALANCE, END OF YEAR** | $ 3,718,891 |

**City of Balch Springs, Texas**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Community and Economic Development Corporation
For the Fiscal Year Ended September 30, 2025

| | | |
|---|---|---|
| Net change in fund balance - BSCEDC governmental funds | | $ (544,787) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Current year principal payments of long-term liabilities are shown as expenditures in the governmental funds, but shown as reductions in long-term liabilities in the Statement of Net Position as follows: | | |
| Revenue bonds | $ 85,000 | |
| Amortization of premiums on bonds issued | 17,432 | 102,432 |
| Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | 5,682 |
| Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds. | | 425 |
| Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances. | | (3,764) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ (440,012) |